



Annual Report

—
2023

Annual Report 2023

Highlights

Letter from the CEO	3
2023 in Brief	5
Year in Review	8
Össur at a Glance	10
Five-Year Overview	14

Business

Performance in 2023	15
Guidance for 2024	19
Our Purpose	21
Business Model	23
Markets	27
Innovation	31
Growth'27 Strategy	35

Sustainability

Our Sustainability Commitment	44
Our Environment	50
Our People	61
Our Business	83
Methods and Assurance	90

Governance

Shareholder Information	99
Corporate Governance	103
Risk Management	109
Board of Directors	113
Executive Management	115

Financial Statements

Consolidated Financial Statements	118
-----------------------------------	-----

Reporting Framework

Commencing from the fiscal year 2023, we are consolidating our Annual Report and Sustainability Report into a unified and comprehensive report. The Annual Report provides our stakeholders with a holistic view of our business, encompassing both financial performance and adherence to Environmental, Social, and Governance (ESG) standards.

courage

HIGHLIGHTS

Letter from the CEO

Patients Are The Driving Force

As we reflect on the past year, we can be proud of our progress and unwavering commitment to improving people's mobility. Our collective efforts have seen us realize a strong financial performance underpinned by positive momentum in all regions and business segments.

We held our Capital Markets Day in Copenhagen in March 2023 and proudly introduced our Growth'27 strategy and ambition of 7-10% average local currency growth over the Growth'27 period of 2023-2027. We also began reporting according to our new sales segmentation; Prosthetics, Bracing & Supports and Patient Care.

Central to our Growth'27 strategy is our commitment to reach more people with our mobility solutions. We will drive accelerated organic growth by focusing on Patient Reach, Innovative Solutions and O&P Value Creation, in addition to pursuing Bracing Simplified. These pillars are further enabled by sustainability, scalability and our talented people.

Our strategy to provide more patients access to high-end solutions is evident in our bionic sales in 2023 being among the highest ratios of prosthetics sales we have ever had. The growing ratio is driven by our recently launched Power Knee™ in addition to a strong performance in other bionic products. This achievement fuels our commitment to the ongoing development of our innovative bionic solutions. During the year we launched a new Proprio Foot®, a proven

bionic ankle which is now waterproof with additional functional benefits contributing to a better quality of life for lower limb amputees.

Organic sales growth was strong this year, especially within Prosthetics and Patient Care. Growth in those segments was driven by volume, further emphasizing our ability to provide even more patients with high-end products and high-quality care.



Central to our Growth'27 strategy is our commitment to reach more people with our mobility solutions.

Össur stands on a strong foundation and we not only make a meaningful impact through the solutions and care we provide our customers and patients, but also through our commitment to sustainability. Our sustainability framework encompasses an ambitious environmental, social and governance agenda, guided by the principles of the UN Global Compact and UN Sustainable Development Goals. We have grouped our

initiatives into three areas; Our Environment, Our People, and Our Business, and this year we have fully integrated our Sustainability Report into the Össur Annual Report, further demonstrating the importance of sustainability in responsible business practices.

We continually seek opportunities to reduce emissions from our operations, and I am extremely proud of the milestone we reached in late 2023 when we submitted ambitious emissions reduction goals to the Science Based Targets initiative. We anticipate our goals will be validated early in the new year and we are committed to doing our utmost to reach both our near term (2030) and long term (2050) goals. The task at hand is a challenging one and while we don't have all the answers yet, we are determined to do our part for the benefit of current and future generations.

We are pleased to welcome Lukas Märklin to the executive committee. Lukas joins us as Chief Operating Officer and replaces Egill Jónsson who retired at the end of the year after a successful 27-year tenure with Össur. We give our deepest thanks to Egill for his decades of service and welcome Lukas to his new position. I have the utmost confidence in our team of experienced leaders and dedicated employees throughout our global organization.

One of the many highlights of 2023 was seeing our founder, Mr. Össur Kristinsson, receive a Lifetime Achievement Award from the American Orthotic & Prosthetic Association. Össur Kristinsson transformed the O&P industry and to see his legacy acknowledged, was incredibly humbling. His vision and entrepreneurial spirit remain in the Össur DNA to this day, propelling our growth in our product and patient care business segments.

I had the pleasure of meeting many incredible individuals this year. Whether clinicians setting new industry standards, war heroes in Ukraine, business leaders, elite athletes, or individuals taking their first steps in a new reality, each one motivated me to do my very best for the people we serve. The patients in need of our mobility solutions are the driving force behind all we do, and I am extremely proud of the 4,000 individuals at Össur who strive to deliver the best possible patient outcomes every day.

The Össur organization is growing and evolving from what was once a niche product company to a holistic provider of mobility solutions and patient care. Guided by our purpose and strategy, we will continue to create value for our stakeholders.



The Össur organization is growing and evolving from what was once a niche product company to a holistic provider of mobility solutions and patient care.

I am excited to see what the future holds and sincerely thank our employees, customers, end-users, and shareholders for their trust and continued collaboration to improve people's mobility.

Sveinn Sölvason

President and CEO

HIGHLIGHTS

2023 in Brief

© Ilaria Carfello Photography

Össur is a leading global provider of innovative mobility solutions with focus on improving people's mobility through the delivery of Prosthetics, Bracing & Supports and accompanying Patient Care. Helping people live a Life Without Limitations® is why we exist as a company.

Strategic Progress

We introduced our new strategy, Growth'27, in March. Our growth drivers delivered good results and we remain confident in our strategic choices.

Innovative Solutions

13% Organic sales growth in Prosthetics

Increasing the penetration of Bionics and thereby significantly increasing quality of life for people with impaired mobility remains our central objective. In 2023, bionics sales comprised 24% of total prosthetics sales compared to 21% in 2022.

O&P Value Creation

20% Increase of prosthetics sales via the Össur Portal

Creating solutions that facilitate the ease of doing business for our customers is a key priority in Growth'27. Sales via the Össur ordering portal increased by 20% in 2023.

Patient Reach

8% Organic sales growth in Patient Care

We aim to increase people's access to good mobility solutions by working with stakeholders to better serve the chronic patient population worldwide. In 2023, sales in Patient Care grew by 8% organic.

Bracing Simplified

3% Organic sales growth in Bracing & Supports

By focusing on differentiated customer experience and service, coupled with successful implementation of price increases, we grew by 3% organic in Bracing & Supports.

Sustainability Progress

Sustainability is embedded into our strategy and throughout our organization. In 2023, we continued our ambitious climate actions and established compliance status to the upcoming EU Corporate Sustainability Reporting Directive (CSRD).



Science-Based Targets

We developed and submitted our emissions reduction targets to the Science Based Targets initiative (SBTi) for validation. Our targets are both near-term (2030) and net-zero (2050).



Towards CSRD Compliance

We completed a Double Materiality Assessment and Gap Analysis on CSRD compliance. The results will be used to establish an action plan towards effective and compliant CSRD reporting in 2024.



Suppliers Sustainability Survey

We established valuable information on the environmental sustainability performance of our key suppliers and encouraged them to join us on our sustainability journey.



Responsible for Tomorrow®

We strengthened our sustainability governance even further by launching a Responsible for Tomorrow program to ensure clear departmental ownership and responsibility for metrics and targets.



Financial Highlights



9%

Organic
growth



18%

EBITDA
margin



36%

Net profit
growth



2.8x

NIBD /
EBTIDA

Sustainability Highlights



>95%

Renewable
electricity



Science-based
targets submitted



50% | 50%

Gender ratio
Male | Female



40%

Female
management
Female in management positions



1.6

Incident rate
Incident rate per 100 FTEs



4.03 of 5

Engagement
index

HIGHLIGHTS

Year in Review

In 2023, we continued to deliver innovative products and compassionate care to the individuals who use our solutions. The new Proprio Foot® was introduced with functional and durability enhancements, delivering a new level of mobility to lower limb amputees. In March, we hosted a Capital Markets Day and placed the spotlight on our Growth'27 strategy. Our Team Össur athletes continue to set the bar in para athletics setting multiple world records at the World Para Athletics Championships in Paris. A promise of more medal winning performances in 2024. We continued our humanitarian efforts in Ukraine and rounded out the year by submitting ambitious emissions reduction goals to the Science Based Targets initiative for validation.

Committed to our mission of improving people's mobility, we proudly celebrated many notable achievements and accomplishments that embody Life Without Limitations®.



Growth'27 strategy introduced at the Össur Capital Markets Day in Copenhagen



Reuters features Össur's commitment to being Responsible for Tomorrow®



Global commercial launch of the Proprio Foot®



In-depth feature on the Össur Power Knee™ in a program called Secrets of the Superfactories



Gudjón G. Kárasón, EVP of EMEA & APAC and Sveinn Sölvason, President and CEO visited Ukraine



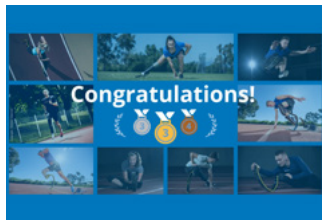
Lukas Märklin appointed Össur's Chief Operating Officer following retirement of Egill Jónsson



Össur received Creditinfo and Festa's incentive award for Sustainability in 2023



Össur Asia celebrated the Grand Opening of a new office in Shanghai



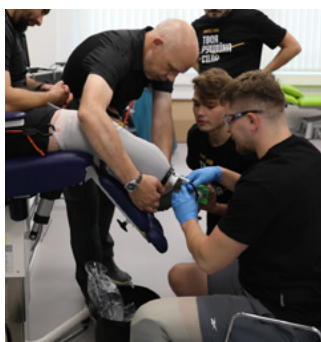
Team Össur members won multiple medals and set new world records at the 2023 World Para Athletics Championships in Paris



Össur founder, Össur Kristinsson received the American Orthotic and Prosthetic Association's Lifetime Achievement Award



Össur joins forces with Nordic CEOs requesting bolder steps for a greener world



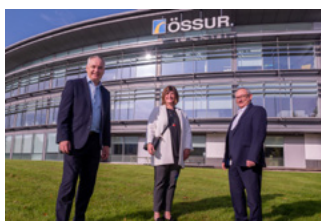
Össur conducted its first multi-disciplinary educational event for Ukrainian medical professionals



Team Össur member Markus Rehm set a new world record of 8.72m in long jump



Össur opened a new Innovation Center in Reykjavik



Scottish Enterprise provided an R&D funding grant to Össur for ongoing development of upper limb prosthetics



Össur Ambassador Ernst van Dyk completed his final Boston Marathon after a career spanning three decades



Össur Ambassador Chihiro Yamada successfully climbed Mt. Fuji, Japan's highest mountain



Össur submitted emissions reduction goals to the Science Based Targets initiative for validation, both near-term (2030) and net-zero (2050)

HIGHLIGHTS

Össur at a Glance

We Improve People's Mobility

Össur is a leading global provider of innovative mobility solutions that help people live a Life Without Limitations®. We are focused on improving people's mobility through the delivery of Prosthetics, Bracing & Supports and accompanying Patient Care.

Since the foundation of Össur in 1971, we have grown through a healthy combination of organic development and acquisitions in all our business segments. Össur has a strong presence in its industries and key markets and is well positioned to leverage future growth opportunities. Össur is listed on Nasdaq Copenhagen, has operations in 36 countries and more than 4,000 employees worldwide.

Regional Overview

Americas

49%

of sales

USD 384 million
Organic growth: 8%
FTEs: ~1,500

EMEA

43%

of sales

USD 336 million
Organic growth: 10%
FTEs: ~1,600

APAC

8%

of sales

USD 65 million
Organic growth: 10%
FTEs: ~200

HQ FTEs: ~700

Responsible for Tomorrow®

Sustainability is embedded into our strategy, and we capture our commitment under the theme of Responsible for Tomorrow® recognizing that the decisions and actions we take today will affect future generations. In 2023, we submitted our science-based emissions reduction targets to the Science Based Targets initiative (SBTi) for validation and strengthened our sustainability governance to ensure clear departmental ownership and responsibilities. Össur is signatory to the UN Global Compact, UN Women's Empowerment Principles, and contributes specifically to six UN Sustainable Development Goals.

We Help Individuals to Advance Their Everyday Life and Pursue Their Goals

Prosthetics are used by people who were born with limb loss or limb difference, or who have had limbs amputated for a variety of reasons. Vascular diseases including diabetes as well as cancer, trauma, and congenital defects are some of the more common reasons. The users of our prosthetic products and solutions range from children to the elderly, and from low to high active people and successful athletes.

In addition to prosthetics, we also serve people in need of orthotic care in our Patient Care facilities. Orthotics are generally for chronic mobility impaired individuals, for example due to stroke, MS, CP, CMT, paraplegia, etc., typically requiring long-term motion improvement and correction.

Bracing & Supports are generally for acutely injured individuals who develop knee pain, are diagnosed with osteoarthritis in their joints, incur fractures to their ligaments, or injure themselves causing movement impairment, typically requiring short-term support and stabilization.

World Class Innovation Capabilities

Significant investment in research and development has resulted in over 2,100 patents and patent applications, around 650 trademarks, award-winning designs, successful clinical outcomes, and consistently strong market positions.

Every year, we invest around 5% of sales in research and development to progress and enhance our product portfolio for the benefit of our end-users. Össur is a pioneer of advanced technology with top tier brand recognition based on quality and high reliability, providing scientifically proven solutions that deliver effective clinical outcomes.

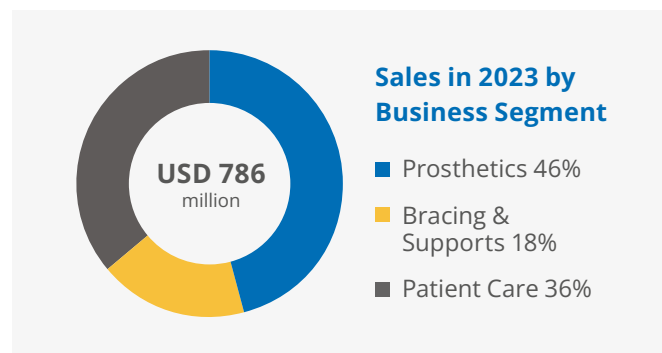
We emphasize listening to and learning from patients and end-users to develop successful products and solutions. By understanding their needs, through continuous development and pushing the boundaries of technology, we continue to create some of the best products and services available in Prosthetics, Bracing & Supports, and Patient Care.



Our Business Segments

Össur operates within three business segments of the non-invasive orthopaedics market; Prosthetics, Bracing & Supports, and Patient Care.

Business Segments



Prosthetics

46% of total sales

Össur's prosthetics product portfolio includes a range of premium lower and upper limb prosthetic components. The portfolio ranges from solutions to support low active individuals who may be challenged to maintain the ideal balance of safety, comfort, and mobility, to solutions designed to enable especially active people to excel and engage in high-impact activities.



Sub Segment	End-User Profile	Improving Mobility
Mechanical Products	People living with lower and upper limb loss or limb difference	Broad product offering of lower limb prosthetics and finger prostheses
Bionic Products	People living with lower and upper limb loss or limb difference	Advanced microprocessor-controlled feet, knees, hands, and fingers



Bracing & Supports

18% of total sales

Össur's osteoarthritis (OA) solutions are designed to enhance quality of life, reduce pain, and improve mobility for people living with osteoarthritis. Össur offers the Unloader One® range of knee braces that relieve pain from knee osteoarthritis, as well as the Unloader® Hip which is designed to reduce pain by optimizing load dispersion for patients suffering from mild and moderate osteoarthritis of the hip.

Össur's injury solutions are designed for people recovering from fractures, ligament injuries or for those in need of post-operative treatment solutions. These solutions are designed to support the healing process of bone and soft tissue injuries.



Sub Segment	End-User Profile	Improving Mobility
Injury Solutions	People recovering from fractures, ligament injuries or need post-operative treatment	Products stabilizing joints and improving healing
OA Solutions	People living with Osteoarthritis (OA)	Non-surgical treatment by unloading affected joint with braces

Patient Care

36% of total sales

Originally founded as an Orthotic & Prosthetic (O&P) Clinic in 1971, Össur has been helping patients live Life Without Limitations for generations. Today, Össur operates a vast network of Patient Care clinics around the world, with each one catering to individual patients and their needs. Each location is staffed by expert clinicians and highly skilled professionals in mobility.



Sub Segment	End-User Profile	Improving Mobility
Prosthetics	People living with lower and upper limb loss or limb difference	Fitting patients with lower and upper limb prostheses
Orthotics	People living with neurological, gait, and musculoskeletal conditions	Fitting patients with orthotics and assistive devices

Five-Year Overview

Five-Year Overview					
USD million	2023	2022	2021	2020	2019
Net sales	786	719	719	630	686
Gross profit	486	440	455	391	439
Operating expenses (excl. other income)	398	373	360	338	341
EBITDA	139	114	149	93	141
EBITDA before special items	139	128	149	93	150
EBIT	89	65	97	28	98
Net profit	59	43	66	8	69
Sales Growth					
Sales growth USD %	9	0	14	(8)	12
• Organic growth %	9	4	10	(10)	5
• Currency effect %	(1)	(7)	3	0	(4)
• Acquired/divested business %	1	3	1	2	11
Balance Sheet					
Total assets	1,386	1,325	1,247	1,214	1,091
Equity	705	636	627	577	569
Net interest-bearing debt (NIBD)	395	404	363	381	302
Cash Flow					
Cash generated by operations	126	92	128	119	120
Free cash flow	52	35	74	68	63
Key Ratios					
Gross profit margin %	62	61	63	62	64
EBIT margin %	11	9	14	4	14
EBITDA margin %	18	16	21	15	21
EBITDA margin before special items %	18	18	21	15	22
Equity ratio %	51	48	50	48	52
NIBD to EBITDA	2.8	3.2	2.4	4.1	2.0
Effective tax rate %	23	23	24	38	24
Return on equity %	9	7	11	1	12
CAPEX to net sales %	5.4	3.6	3.7	3.8	4.6
Full time employees at period end	3,999	3,892	3,761	3,385	3,449
Full time employees on average	3,945	3,866	3,688	3,505	3,382
Market					
Market value of equity	1,713	2,035	2,724	3,380	3,340
Number of shares in millions	421	423	423	423	425
EPS in US cents	14.0	10.3	15.6	1.9	16.3
Diluted EPS in US cents	14.0	10.3	15.5	1.9	16.2

BUSINESS

Performance in 2023

Financial Performance in 2023

- Sales amounted to USD 786 million and organic growth was 9%.
- Prosthetics sales grew by 13% organic, Bracing & Supports sales grew by 3% organic, and Patient Care sales grew by 8% organic. Growth is attributed to strong volume growth and positive product mix with a strong performance in our high-end solutions.
- Gross profit margin was 62%, same as in 2022 when excluding special items in 2022. The gross profit margin was positively impacted by strong sales growth, favorable product mix, and lower freight cost but is adversely impacted by higher unit cost in manufacturing and time-lag in reimbursement.
- EBITDA margin was 18%, same as in 2022 when excluding special items. In addition to the items mentioned impacting gross profit, EBITDA was positively impacted by operational efficiency and savings from streamlining announced in the fall of 2022 but adversely impacted by FX and inflationary cost increases in SG&A expenses.
- Net profit grew by 36% and amounted to USD 59 million or 7% of sales compared to 6% of sales in 2022.
- Free cash flow amounted to USD 52 million or 7% of sales compared to 5% of sales in 2022.
- NIBD/EBITDA was 2.8x at the end of 2023, within the target ratio of 2.0-3.0x.

2024 Outlook

- Organic sales growth guidance is 5-8%*, expected to be driven by continued strong volume growth and moderate price increases.
- EBITDA margin before special items guidance is 19-20%*, expected to be driven by favorable product mix, increased efficiency in manufacturing and scalability.

Financial Guidance for 2024

USD million	2023	2022	Guidance 2024
Sales growth, organic	9%	4%	5-8%*
EBITDA margin before special items	18%	18%	19-20%

* Including estimated organic sales growth and EBITDA from FIOR & GENTZ, based on 2023 net sales of approx. USD 23 million and EBITDA margin of 30%.

Financial Performance

Sales Performance

Sales in 2023 amounted to USD 786 million, compared to USD 719 million in 2022, corresponding to 9% organic growth, a 10% increase including acquisitions (local currency growth) and a 9% reported growth (USD growth).

Impact on sales from acquisitions amounted to USD 8 million in 2023, corresponding to about a 1%-point positive effect on the reported growth rate. Currency movements in 2023 impacted sales growth negatively by USD 6 million, corresponding to about a 1%-point negative effect on the reported growth rate.

Sales by Geographical Segment					
USD million	2023	Organic growth	Δ Acq. / div.	Δ Curr. Effect	USD growth
Americas	384	8%	2%	(0%)	9%
EMEA	336	10%	1%	(0%)	10%
APAC	65	10%	0%	(4%)	6%
Total	786	9%	1%	(1%)	9%

Sales by Business Segment					
USD million	2023	Organic growth	Δ Acq. / div.	Δ Curr. Effect	USD growth
Prosthetics	398	13%	2%	(0%)	15%
Bracing & Supports	147	3%	0%	(1%)	2%
Internal product sales	(39)	27%	0%	(2%)	25%
External sales	506	9%	1%	(0%)	10%
Patient Care	280	8%	1%	(1%)	8%
Total	786	9%	1%	(1%)	9%



Business Segments

Prosthetics sales amounted to USD 398 million and grew by 13% organic in 2023. Sales of bionic products accounted for 24% of total prosthetics sales compared to 21% of sales in 2022. Bracing & Supports (B&S) sales amounted to USD 147 million and grew by 3% organic and Patient Care sales amounted to USD 280 million and grew by 8% organic.

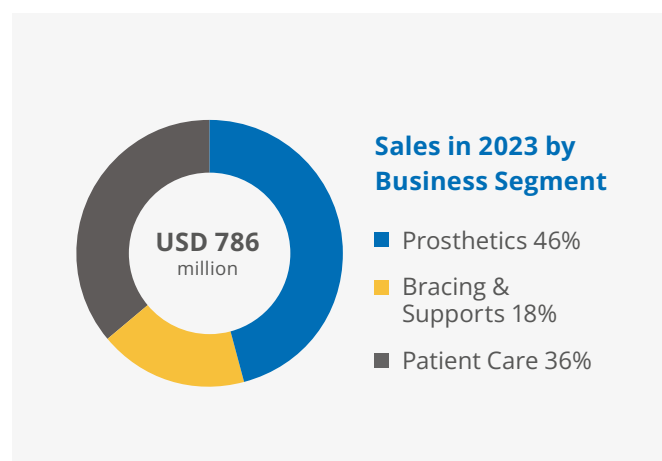
Sales were strong in Prosthetics and Patient Care in 2023, largely driven by volume growth and positive product mix with increased sales and fittings of high-end solutions such as bionics and high-end mechanical feet, in addition to some impact of price increases. Organic growth in Bracing & Supports was good during the year, largely driven by strong sales in high-end solutions such as OA and price increases. Organic growth was strong across all geographical segments.

Operations

Gross profit in 2023 amounted to USD 486 million or 62% of sales compared to 61% of sales in 2022 (62% of sales when excluding special items). The gross profit margin was positively impacted by strong sales growth, favorable product mix, and lower freight cost but was adversely impacted by higher unit cost in manufacturing and time-lag in reimbursement.

Inflationary effects are evident in both labor and raw material cost, but freight cost declined by USD 5-6 million in 2023 compared to 2022. Freight cost declined in line with expectations, driven by lower freight rates and reduced volume shipped from Asia, although slightly below the initial estimated decrease of USD 6-7 million as reduced freight cost was partly offset by temporary use of more expensive means of freight for some raw materials in line with strong sales performance.

Unit cost has been increasing at a faster rate than price increases in recent years, due to inflation and supply chain challenges. However, with lower freight cost and increasing productivity, unit cost began to normalize during the year, although it is still above normalized levels. Össur has initiated focused initiatives to increase productivity in manufacturing and further lower unit cost in 2024.



Operating Expenses

Operating expenses in 2023 amounted to USD 396 million or 50% of sales compared to 52% of sales in 2022 (51% of sales excluding special items). Main drivers of OPEX growth are inflation and labor cost, including variable compensation in line with strong sales performance, but those were offset by cost saving initiatives announced in Q3 2022 to support further growth and profitability. Total annual cost savings amount to USD 15 million which started to materialize from the beginning of 2023, of which one-third was reinvested in emerging markets and digital initiatives.

EBITDA

EBITDA amounted to USD 139 million or 18% of sales compared to an EBITDA before special items of USD 128 million or 18% of sales in 2022.

In addition to the items mentioned impacting gross profit, EBITDA was positively impacted by operational efficiency and savings from streamlining announced in the fall of 2022 but adversely impacted by inflationary cost and labor cost increases in SG&A expenses.

Currency impact on the EBITDA margin including hedging was negative by about 30 basis points in 2023.



Financial Items, Income Tax and Net Profit

Net financial expenses in 2023 amounted to USD 17 million compared to USD 9 million in 2022.

Income tax amounted to USD 17 million in 2023, corresponding to a 23% effective tax rate.

Net profit in 2023 grew by 36% and amounted to USD 59 million compared to USD 43 million in 2022. Diluted earnings per share in 2023 amounted to 14.0 US cents compared to 10.3 US cents in 2022.

Cash Flow

Cash generated by operations amounted to USD 126 million or 16% of sales in 2023 compared to USD 92 million or 13% of sales in 2022. Cash generation was strong during the year, although impacted by inventory build-up.

Inventory levels however remain high, mainly consisting of bionic raw material to secure production of bionics in addition to build-up of high-volume, low-cost, B&S products in the last two years due to the worldwide supply chain challenges. Inventory levels are currently being lowered in Bracing & Supports, and overall inventory is expected to gradually normalize.

Capital expenditures amounted to USD 42 million or 5% of sales in 2023 compared to USD 26 million or 4% of sales in 2022. CAPEX in the year were above a normalized level as investments were made in the Össur Leg concept and expanding in some key locations to support further growth.

Free cash flow in 2023 amounted to USD 52 million or 7% of sales, compared to USD 35 million or 5% of sales in 2022.

Bank balances and cash equivalents amounted to USD 73 million at the end of 2023 and USD 61 million of existing facilities were undrawn. Bank balances and cash equivalents in addition to undrawn credit facilities at the end of 2023, therefore, amounted to USD 134 million.

Capital Structure

Net-Interest Bearing Debt

Net interest-bearing debt, including lease liabilities, at year-end 2023 amounted to USD 395 million compared to USD 404 million at year-end 2022. Net interest-bearing debt to EBITDA before special items corresponded to 2.8x at year-end 2023, within the target ratio of 2.0-3.0x.

Share Buybacks and Dividends

The purpose of the share buyback program is to reduce the Company's share capital and adjust the capital structure with a desired capital level of 2.0-3.0x net interest-bearing debt to EBITDA before special items, by distributing capital to shareholders in line with the Company's Capital Structure and Capital Allocation Policy. The buyback program is currently paused as the leverage ratio is at the upper end of the target range of 2.0-3.0x. The leverage ratio is expected to be slightly above the target range after the acquisition of FIOR & GENTZ on 16 January 2024.

At the end of Q4 2023, treasury shares totaled 701,647.



BUSINESS

Guidance for 2024

© Maria Carliello Photography

Financial Guidance

	Guidance 2024	Actual 2023
Sales growth, organic	5-8%	9%
EBITDA margin, before special items	19-20%	18%
For modeling purposes:		
Special items	1	0
CAPEX as % of sales	3-4%	5%
Effective tax rate	23-24%	23%

Organic sales growth is expected to be in the range of 5-8%. Continued strong performance is expected in all our business segments and regions, attributed to strong volume growth in Prosthetics and Patient Care, positive solutions mix, impact from new product launches, and some price increases in Prosthetics and B&S. Minimal reimbursement rate increases are currently expected in 2024. No impact from the new Medicare proposal for prosthetics coverage in the United States has been assumed in the organic growth guidance for 2024, given that the proposal is not in effect and timelines are uncertain.

The organic sales growth guidance includes estimated organic sales growth from FIOR & GENTZ which was

acquired in January 2024, based on 2023 net sales of approx. USD 23 million. The addition of FIOR & GENTZ will be accretive to organic sales growth when compared to historical organic growth rates, as was the case for Naked Prosthetics which was acquired in 2022.

EBITDA margin before special items is expected to be in the range of 19-20%. The EBITDA margin is expected to be positively impacted by sales growth across all our segments and markets, favorable product mix with continued strong performance in high-end solutions, focused initiatives to increase productivity in manufacturing resulting in further normalization of unit cost, operational efficiency, less inflationary pressure on cost when compared to 2023, although similar payroll

increases are expected in 2024 as in 2023, and accretive impact from the acquisition of FIOR & GENTZ. Special items are expected to be around USD 1 million in relation to the acquisition of FIOR & GENTZ, to be expensed in the first quarter of 2024.

At current foreign exchange rates, keeping all other factors constant, the EBITDA margin before special items is expected to be negatively impacted by about 10 basis points in 2024 when compared to 2023. Additional information on foreign exchange assumptions can be found in the next section.

Foreign Exchange

Sales are particularly exposed to fluctuations in the EUR against the USD. In addition to the EUR, the ISK has a relatively high impact on operating results as a substantial

part of manufacturing, R&D and some corporate functions are based in Iceland whereas sales in ISK are minor. Split of sales and costs by main currencies can be found in note 5 of the accompanying Condensed Interim Consolidated Financial Statements.

All else being equal, a +/- 5% movement in EUR/USD is estimated to have an annual impact on EBITDA in the range of +/- USD 2.5-3.1 million when unhedged. The same movement in ISK/USD is estimated to have an annual impact on EBITDA in the range of +/- USD 3.3-3.9 million when unhedged. Össur utilizes forward contracts to hedge approximately 50% of the estimated net currency exposure in ISK.



BUSINESS

Our Purpose

Össur is focused on improving people's mobility through the delivery of Prosthetics, Bracing & Supports and accompanying Patient Care. Our passionate commitment to improving people's mobility driven by innovation and patient outcomes, has been the core of our success.

Our Values

Össur's core values of Honesty, Frugality and Courage serve as the foundation and driving force behind the company's success, guiding employees in their day-to-day activities and decision-making. At Össur we believe that by honoring the values, the company will achieve long-term sustainable success, furthering the mission of improving people's mobility.

Helping people live a Life Without Limitations® is why we exist as a company

Honesty

Stay True

We show respect by adhering to facts and reality, fulfilling promises and claims, and admitting failures. We nurture honest communication throughout the company by sharing information and respecting each other's time and workload.

Frugality

Make Every Step Count

We use resources wisely. The company aims to minimize costs across all areas of its business through effective communication, preparedness, planning and optimized processes.

Courage

Aim Higher

We are open to change and constantly strive for improvement. We challenge unwritten rules, show initiative, and take calculated risks, while at the same time, take responsibility for our ideas, decisions and actions.

VALUES

HONESTY

— Stay True —

FRUGALITY

Make Every Step Count

COURAGE

— Aim Higher —

Responsible for Tomorrow®

We apply our core values in our approach towards sustainability. We show courage in setting ambitious goals and are honest about where we stand, acknowledge the challenges we face and what we can improve. We practice frugality by using our resources wisely and efficiently. Our sustainability commitment is captured under the theme of Responsible for Tomorrow®, understanding that the decisions and actions we take today, will impact future generations.

Vision

Enable Life Without
Limitations®

Mission

We Improve
People's Mobility

Goal

Serve More People
for Profitable Growth



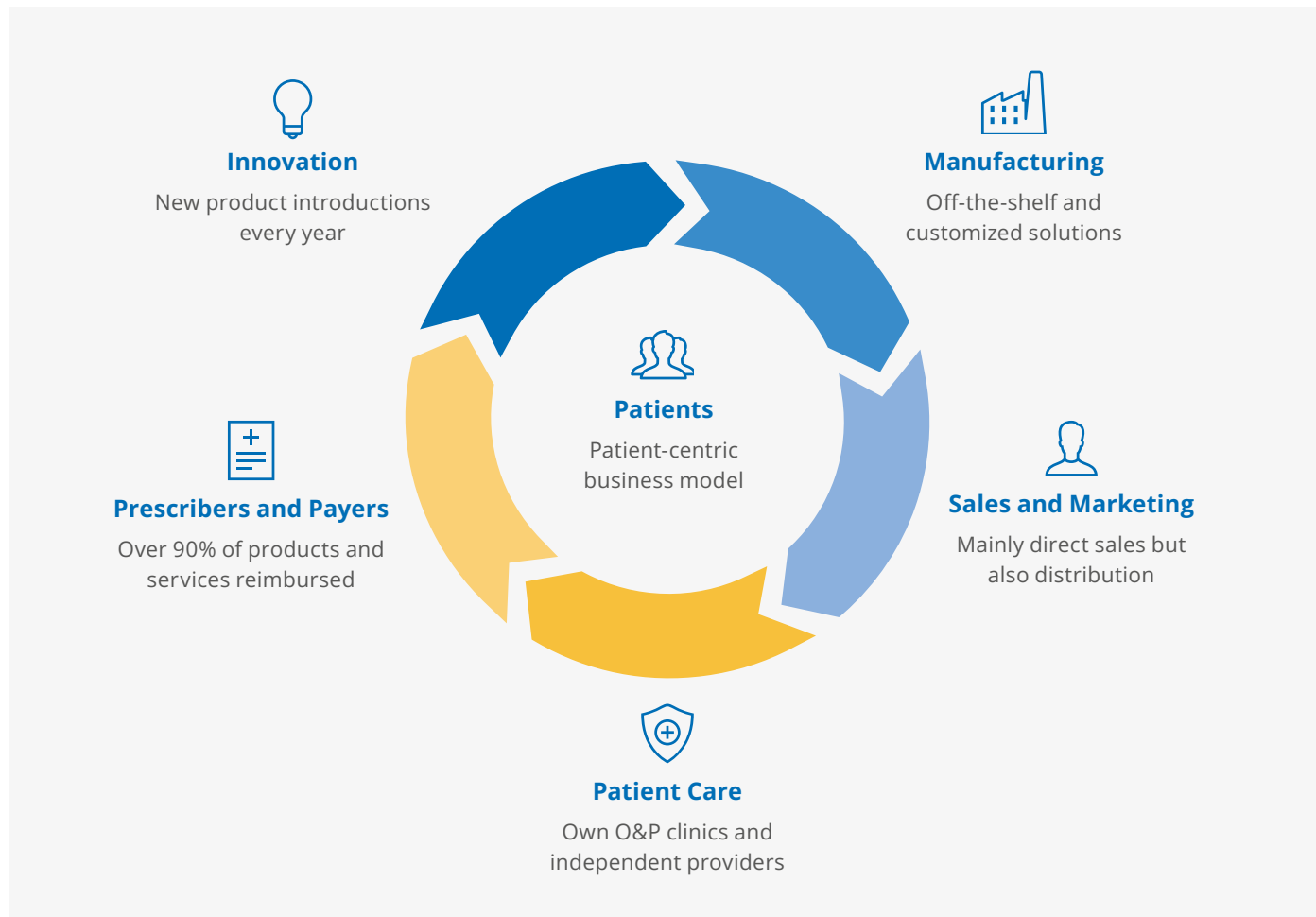
RESPONSIBLE
FOR TOMORROW®

BUSINESS

Business Model

Our business is about improving people's mobility so they can live a Life Without Limitations®. We develop and manufacture a wide range of prosthetic and bracing & supports solutions in addition to serving patients in need of various mobility solutions in our patient care facilities across the globe.

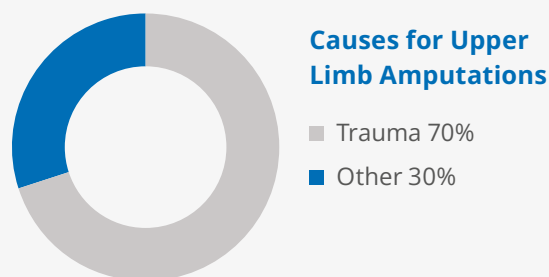
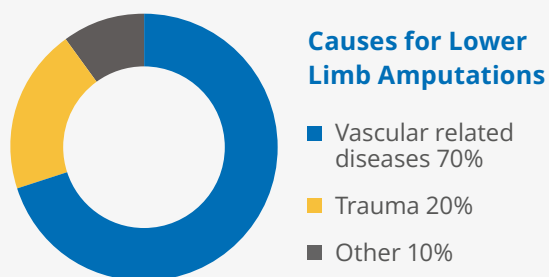
Business Model



Patients

The patients we serve include people with lower and upper limb loss due to, for example, vascular diseases including diabetes, as well as cancer, trauma and congenital defects. They also include individuals who require off-the-shelf or customized orthotic solutions as they may have developed osteoarthritis in knee or hip ligaments, have musculoskeletal conditions present at birth or caused by illness or injury, or require enhanced healing post-surgery or due to injuries.

Prosthetic Patients



> 850,000

New major lower limb amputees per year

65-70

is the average age of the amputee population

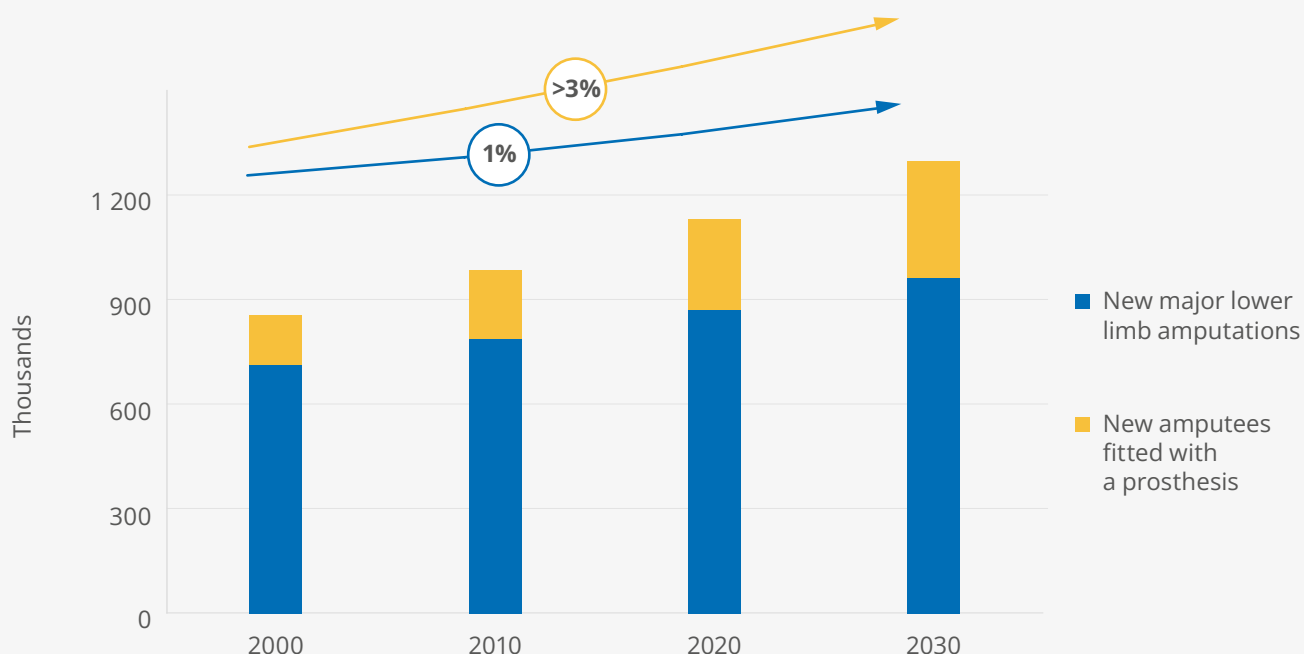
> 25,000

New upper limb amputees per year

30-40%

of new amputees are fitted with prosthetic solutions

Growing number of amputees receiving prosthetics



Source: Össur Management estimates

The main cause for lower limb amputation is vascular related diseases. Based on market data, it is however evident that the proportion of people living with limb absence due to trauma, cancer and congenital defects is higher than the incidence rate would suggest. The reason being that the average life expectancy of people with lower limb loss due to vascular related disease is shorter than of those with limb absence due to other causes. This underscores the potential opportunities in catering to the needs of chronic patients that need lifelong service and why 70-80% of Patient Care revenue is recurring.

Innovation

Össur develops prosthetics and bracing & supports solutions, from an idea to a finished product. With every product, the aim is to deliver cost effective medical solutions that provide value for patients and the healthcare system. To obtain independent clinical evidence for product outcomes as well as health economic data, Össur initiates and promotes clinical studies in cooperation with leading scientists, institutions, and healthcare professionals in the field.

As part of our ambition to be at the forefront of innovation and new technology, Össur participates in externally funded projects, collaborating with partners from industry and academia alike. We take part in various projects where world class scientists are involved in cutting edge research. This enables us to join forces in

shaping the technology of the future with the mission of improving people's mobility.

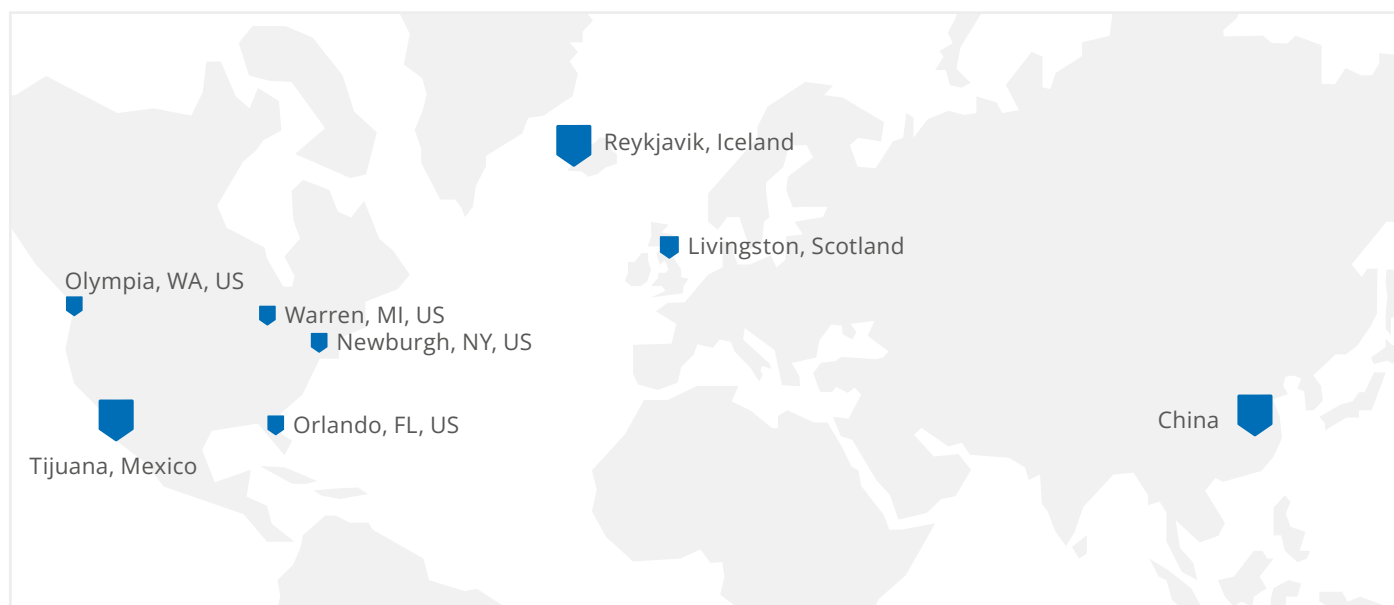
Manufacturing and Quality

Össur maintains a strong global manufacturing function. At Össur, there is a continuous strive for efficiency, which includes finding ways to optimize the manufacturing process and investments have been made to make the manufacturing platform increasingly scalable. Since 2009, the global manufacturing platform has consolidated its operations, presently functioning in 13 fewer locations compared to in 2009.

Manufacturing of advanced prosthetic solutions, including bionics, takes place in Iceland and Scotland. Manufacturing of prosthetics solutions, components and premium bracing solutions takes place in Mexico. Finally, Össur outsources the manufacturing of soft goods to China. In addition, Össur has a few smaller specialized manufacturing facilities in selected countries.

Great emphasis is placed on quality, and it is an intrinsic part of our processes. Össur has had a certified Quality Management system in place since 1993 which is based on ISO management standards and complies with the applicable medical device regulations in the countries that Össur operates in. Össur is certified to the global ISO 13485:2016 Medical Device Standard and the Medical Device Single Audit Program (MDSAP).

Manufacturing Locations



Sales and Marketing

Products are delivered to users of our products and solutions through healthcare providers who specialize in assisting individuals who suffer from impaired mobility. In Prosthetics, these customers are O&P clinics and in Bracing & Supports, it is a combination of O&P clinics, hospitals, and surgery centers. Our customers claim reimbursement from private or public insurance as Össur's products and services are in most cases reimbursed. Össur has operations in 36 countries and largely sells its products through its own direct sales network.

Patient Care

Össur products are serviced through a global network of patient care clinics. Moreover, in selected countries, Össur manages its own Patient Care facilities. Each location is staffed by expert clinicians and highly skilled mobility professionals. The clinics help people with limb loss or limb difference, in addition to people in need of gait and musculoskeletal support, live active and productive lives.

Prescribers and Payers

Prescribers include healthcare professionals who prescribe products and services based on the clinical indication of their patients. These include orthopaedic surgeons, non-surgical physicians, rehabilitation, and emergency physicians as well as other professionals providing medical diagnosis.

Payers include healthcare systems, insurance companies and individuals. In most cases, when an individual has been fitted with a product, Össur's customers claim reimbursement from the relevant public institutions or private insurance companies. Around 90% of Össur's product sales and services are estimated to be reimbursed by a third party. Generally, Össur's sales in the developed markets are mostly reimbursed while sales in emerging markets are mostly paid out-of-pocket.



BUSINESS

Markets

Össur operates within the global non-invasive orthopaedic industry, which is part of the global medical device market, delivering advanced and innovative solutions within the Prosthetics, Bracing & Supports and Patient Care segments.

The Prosthetics Product Market

Prosthetics include artificial limbs and related products for people who were born with limb loss or limb difference, or who have had limbs amputated. Össur provides a full range of premium lower and upper limb prosthetics, including feet, knees, hands, fingers, liners, and other components.

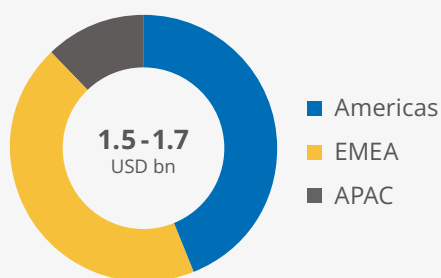
The size of the global prosthetics product market is estimated to be approximately USD 1.5-1.7 billion. Össur is the second largest company operating in Prosthetics with a market share estimated at 23-25%. The growth rate of the market is estimated to be 4-6%.

Growth in the prosthetics industry is driven by volume and mix with a consistent renewal and maintenance cycle for prosthetic products, increasing fitting rates for prosthetics patients, increasing reimbursement coverage, new innovative technologies being accepted for reimbursement, and increasing healthcare coverage and disposable income in emerging markets. The primary sales channel in the prosthetics market is Orthotic & Prosthetic clinics (Patient Care clinics).

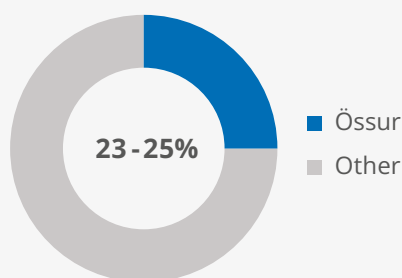
Pricing in the prosthetics product market is on average relatively stable with yearly pricing adjustments due to inflationary trends but also influenced by regional specific developments in reimbursement.

Prosthetics Market

Market size



Market share



Market growth

4-6%

Source: Össur Management estimates

Note: Estimates only account for component sales from providers to suppliers, i.e. not clinical services

The Bracing & Supports Product Market

Bracing & Supports include products used to provide support for therapeutic and preventative purposes. Össur offers a comprehensive line of products with primary focus on osteoarthritis and injury solutions including devices supporting the spine, knee, hip, foot, ankle, and hands.

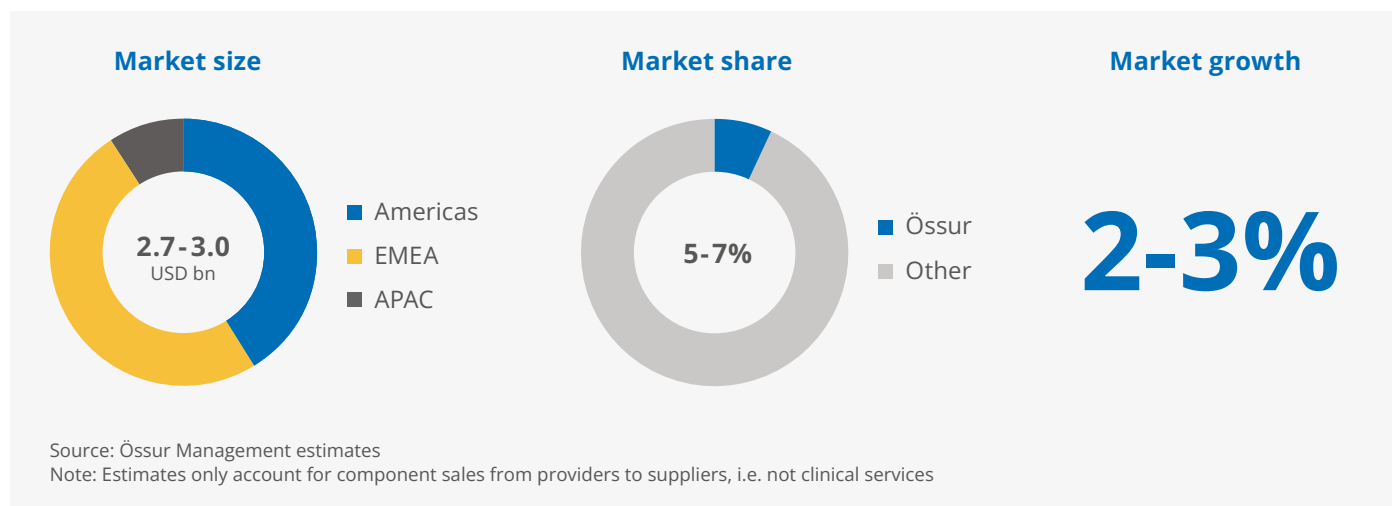
The size of the global Bracing & Supports product market that Össur operates in is estimated to be approximately USD 2.7-3.0 billion and Össur's market share is estimated at 5-7%. The growth rate of the market is estimated to be 2-3%.

Market growth is driven by healthy volume growth. Increased amateur sports and activity levels, increased

volumes of elective surgeries such as knee replacement surgeries, that drive demand for post-operative bracing solutions, and the utilization of high-end innovative products such as the Unloader® OA bracing products, support market growth in Bracing & Supports. The primary sales channel in the bracing & supports market is Orthotic & Prosthetic clinics (Patient Care clinics), hospitals, and orthopaedic clinics.

Price levels are relatively stable with yearly pricing adjustments due to inflationary trends but also influenced by regional specific developments in reimbursement, but for some markets, there is moderate price pressure for selected product categories, mainly products of a lower innovation level.

Bracing & Supports Market



The Patient Care Service Market

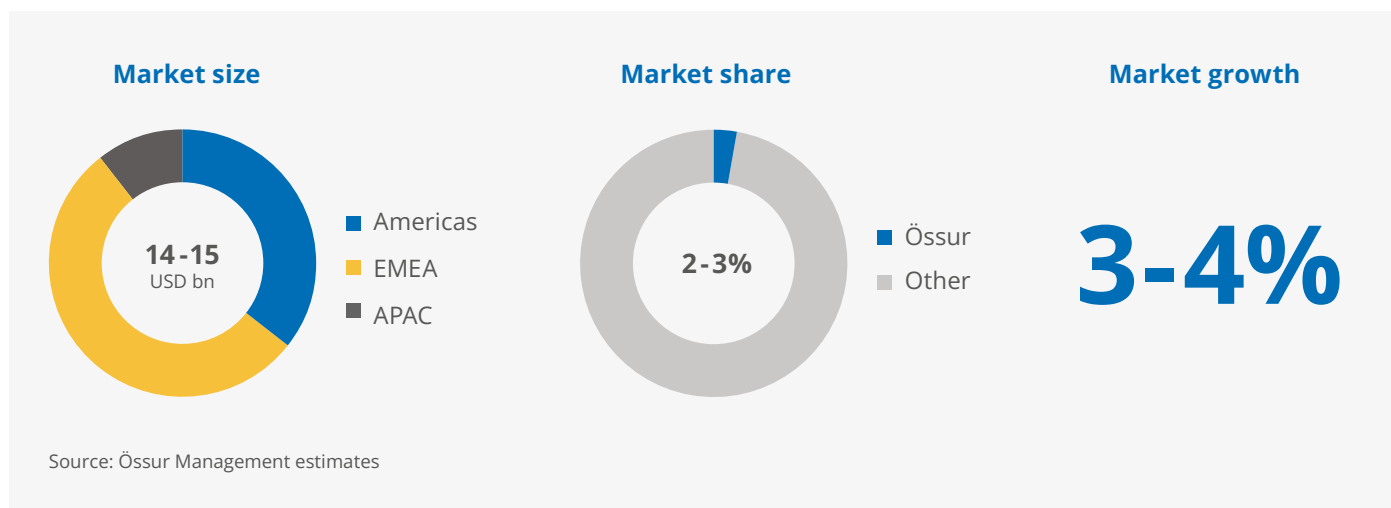
The Patient Care market consists of patient care clinics, often referred to as Orthotic & Prosthetic clinics or O&P clinics, that provide services to patients with orthotic & prosthetic mobility challenges. Originally founded as an O&P clinic in 1971, Össur has been helping patients live Life Without Limitations for generations.

The size of the global Patient Care service market is estimated to be approximately USD 14-15 billion. Össur is estimated to be the third or fourth largest company operating in the market with a market share estimated at 2-3%. The growth rate of the market is estimated to be 3-4%.

Growth in the Patient Care service market is driven by volume and mix with a consistent renewal and maintenance cycle, increasing fitting rates for orthotics & prosthetics patients, increasing reimbursement coverage, new innovative technologies being accepted for reimbursement, and increasing healthcare coverage and disposable income in emerging markets.

Pricing in the market is determined by regional specific reimbursement systems and is on average limited to moderate. Selected markets increase reimbursement rates up to inflationary levels, while most markets have limited rate adjustments.

Patient Care Market



Orthopaedic Industry Stakeholders

In the orthopaedic industry, many stakeholders and decision makers are involved in the purchasing decision. Stakeholders can be categorized into five groups.

Patients	Prescribers	Providers	Payers	Influencers
People who receive medical treatment and use our products and service solutions. Also referred to as a user or end-user of our products.	Healthcare professionals who prescribe the products, based on the condition/ clinical indication of the patient.	Healthcare professionals who provide patients with products, such as CPO's, doctors, podiatrists.	Public and private insurance companies. Around 90% of Össur sales are reimbursed by a third party.	Healthcare systems, insurance companies, medical associations, patients and their families.

Industry Trends Create Opportunities

Economic development around the world and global macro trends create demand and opportunities for growth. We have selected six trends that have a positive impact on demand for Össur's products and services:



An aging and more active population

- The global population of 65 and older is increasing and so is the amputee population.
- A growing number of people afflicted by vascular disease, the leading cause of amputation.
- An increased number of fractures, joint instability, and joint afflictions.



Improved treatment options and penetration of high-end solutions

- New innovative technologies being accepted for reimbursement.
- Increasing healthcare coverage and better access to patients with increasing fitting rates.
- Increased acknowledgment of total health economic benefits of high-end solutions.



Access to healthcare improving in emerging markets

- Global economic growth will be powered by emerging markets.
- Disposable income increasing in emerging markets and willingness to pay out-of-pocket.
- Increasing healthcare coverage in emerging markets.



Healthcare consumerism empowering patients

- Individuals are taking greater control of their healthcare decisions, pushing for solutions that fit their needs.
- Patients leave their healthcare provider if not satisfied and search for a new one online.
- Increased push for transparency that helps people make informed decisions about their care.



Healthcare consolidation and budget management

- Healthcare systems efforts to manage cost, increasing need for innovation and health economic benefits.
- Consolidation in the Patient Care service market.
- Demand for cost effective solutions without compromising quality.



Digitalization increasing ease of doing business

- How people communicate is transformed through digitalization, patients to health care providers and businesses to businesses.
- Increased automation through digital processes in order flow and manufacturing
- Data can enable improved and timely service delivery to patients.

BUSINESS

Innovation

Innovation has always been deeply rooted in what we do, ever since the first Iceross® silicone liner was invented and patented in the 1980's. Since then, countless innovations and technology updates have been developed, all with the goal of improving people's mobility.

In 2023, Össur opened a new 3,200 m² global innovation center at the Össur Head Office in Reykjavík, Iceland. The new facility is designed to drive research and development of new solutions for the millions of people globally that rely on our products and services.

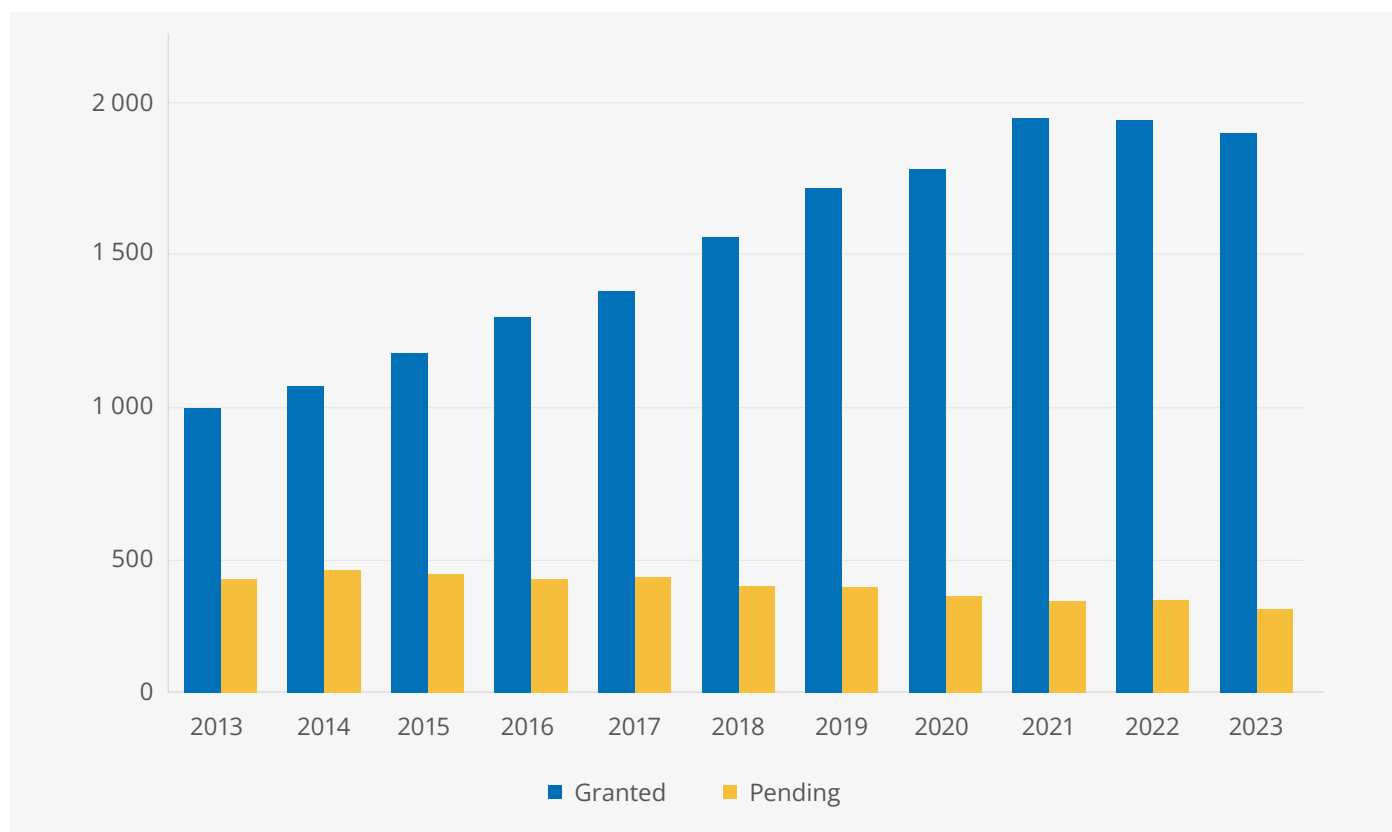
We look forward to bringing many more life-changing solutions to people with chronic mobility challenges in the years to come.

We capture commercial opportunities and drive better patient outcomes through innovative solutions.

Strong Intellectual Property Portfolio

Developing and maintaining a strong intellectual property (IP) portfolio is key to sustaining our position as an innovation leader in the industry. Our IP portfolio consists of various types of IP rights, strategically developed, and registered to protect our products and technologies, as well as the Össur brand. At year-end 2023, the IP portfolio consisted of over 2,100 patents and patent applications, around 650 trademarks and 420 domain registrations. According to a report by the Icelandic Intellectual Property Office from 2023, Össur was recognized as the leading Icelandic company in patent filings in the field of life science for the period 2010-2022, having filed 63% of Icelandic patent applications in the United States and European Patent Offices.

Patent Portfolio



Prosthetics

Össur develops advanced prosthetic solutions, with the aim of providing value for patients and the healthcare system. When a product is designed, we accumulate medical and biomechanical data during the development process to verify product safety and efficacy before launch. Also, to obtain independent clinical evidence for product outcomes as well as health economic data, we initiate and promote clinical studies in cooperation with leading scientists, institutions, and healthcare professionals in the field.

Our broad selection of waterproof products allows people to utilize their prosthetic devices to the fullest in diverse types of environments. The use of first-rate materials such as carbon fiber, titanium and high-grade aluminum provides permanent protection against harmful ingress of water. Even after repeated submersion in freshwater, salt water and chlorinated water, the parts maintain their integrity and continue to provide full support and function.

Two new waterproof prosthetic feet were launched during the year: Pro-Flex® LP and the Proprio Foot®. We now have over 20 waterproof prosthetic feet in our product portfolio along with a selection of adapters and locks.

The new, waterproof Pro-Flex LP is fully resistant to both chlorine and saltwater submersion. Throughout the years, this low-profile foot has provided a high degree of ankle motion and a smooth rollover to patients with longer residual limbs or low clearance for a prosthetic foot. These users can now enjoy the same great comfort as before for an even wider range of activities. The Pro-Flex LP is available with a waterproof Unity®, a sleeveless vacuum system that provides elevated vacuum in the socket using the energy created by the natural motion of the prosthetic foot.

Proprio Foot is an adaptive microprocessor-controlled ankle designed to improve safety by increasing toe clearance in swing phase and adapting to changing terrain. The new Proprio Foot is waterproof and is available with a waterproof Unity. In addition to being waterproof, the newly launched bionic foot offers a robust design combined with longer battery life. Coupled with recent speed and adaptation enhancements, Proprio Foot is now suitable for a wide range of patient profiles; from the active hiker to the community ambulator.

The new Proprio Foot features an upgraded Össur Logic app that enables healthcare professionals to easily set up Proprio Foot, adjust the functionality for each user and access valuable activity reports.

AeroFit® Solution

Breathability of prosthetic components closest to the body of the user has always been a major clinical challenge. Sweating, excessive heat and moisture buildup in prosthetic sockets and liners are cause of great discomfort for many amputees. Accumulated sweat within the liner can increase friction between the liner and the skin, leading to an elevated risk of suspension loss. Sweating can also cause skin breakdown and affect the skin health of the residual limb.



AeroFit Solution is currently being introduced in selected markets



The new AeroFit solution is a breathable prosthetic interface, combining a breathable liner and a socket.

The AeroFit Seal-In® liner is an innovative device featuring a proprietary 3D printed silicone structure. The design effectively channels moisture and water vapor away from the skin, through an intricate, multi-layered silicone structure and ultimately allows it to dissipate through the outer textile layer.

The AeroFit Socket, meanwhile, provides a breathable socket by introducing vents in the socket wall, facilitating air exchange between the liner and the environment.

The AeroFit solution is clinically shown to significantly reduce sweat accumulation at skin-liner interface compared to a conventional prosthetic interface. A recently published study in [Nature scientific reports](#) confirms the solution effectiveness.

The 2023 Icelandic Engineering Award was granted to Össur for the development and engineering of the AeroFit solution.



Bracing & Supports

Optimizing key products and services and providing our partners with a simplified, more responsible portfolio is at the core of our strategy in the bracing & supports segment, called Bracing Simplified.

Our osteoarthritis (OA) solutions are designed to enhance quality of life, reduce pain, and improve mobility for people living with osteoarthritis. The Unloader One® range of knee braces relieve pain from knee osteoarthritis, and the Unloader® Hip is designed to reduce pain by optimizing load dispersion for patients suffering from mild and moderate osteoarthritis of the hip.

The OA solutions continue to be a focus point for Össur and in 2023, efforts were made to provide a more sustainable offering with improved function, comfort and ease of use. Implementing these changes in an innovative manner allowed us to also drive efficiency in material sourcing and manufacturing, reducing stock keeping units by 45%.



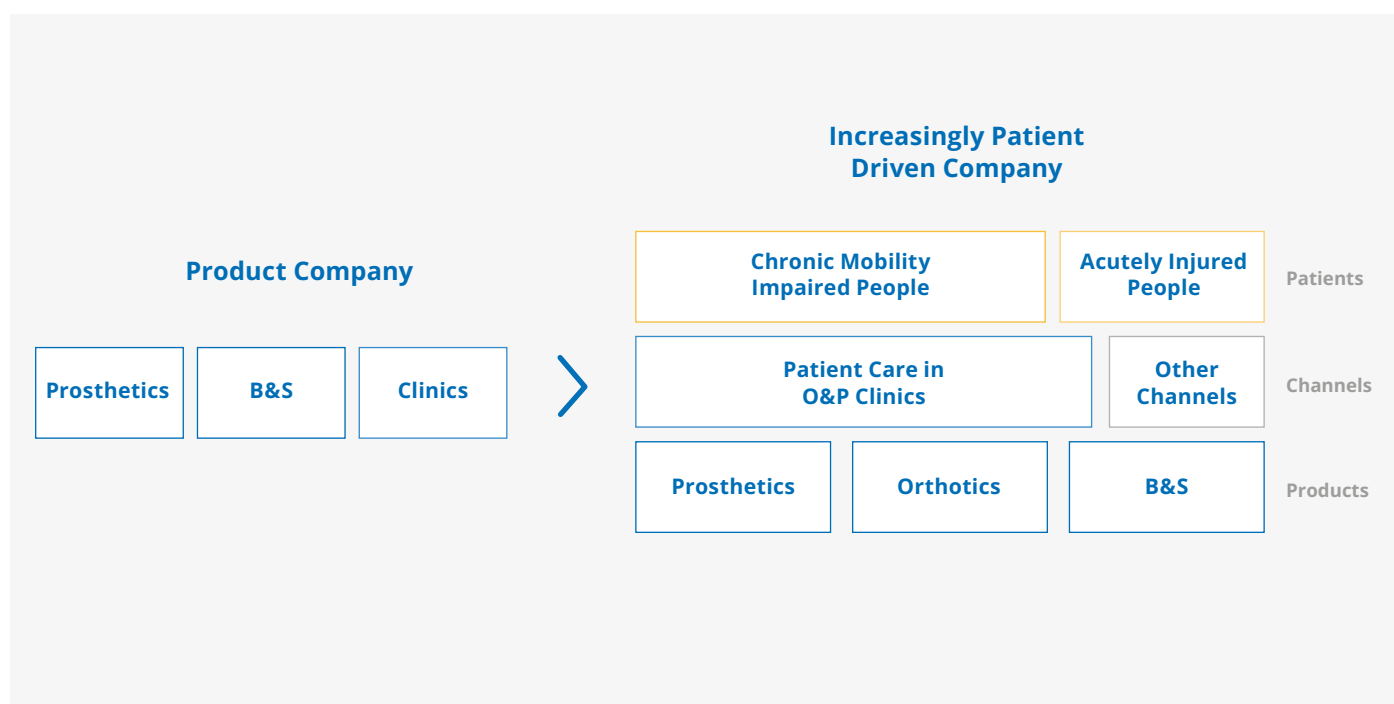
BUSINESS

Growth'27 Strategy

Össur introduced Growth'27 at our Capital Markets Day in March 2023. Growth'27 is a five-year strategy focusing on reaching more people in need of mobility solutions. The strategy addresses key industry themes and supports our evolution of being an increasingly patient driven company. Our aim is to drive accelerated organic growth and continue to generate value for individuals and healthcare systems.

Becoming Increasingly Patient Driven

Over the years, Össur has been transitioning from becoming a product company to an increasingly patient-centric organization, primarily focusing on chronic mobility categories where individuals require lifelong solutions but also individuals who have suffered acute injuries necessitating short-term solutions. This transition offers opportunities by having direct access to patients, payers, and providers but also addresses a broader set of chronic mobility categories.



Growth Drivers

Patient Reach, Innovative Solutions, and O&P Value Creation are the three growth drivers that form the basis of Growth'27. They address our prioritization to become increasingly patient driven and to cater for the needs of individuals with chronic mobility challenges. In other words, they guide our strategic priorities within Prosthetics and Patient Care.

We continue to drive growth in Bracing & Supports in line with our Bracing Simplified strategy, which was first implemented in 2021, by being a trusted partner for our customers through the delivery of a simplified and strong product portfolio.



Patient Reach

We connect directly with patients and reach out to payers and prescribers.



Innovative Solutions

We embrace innovation in all our actions. We provide innovative and patient-centric solutions combining product and service.



O&P Value Creation

We offer business solutions to our customers, including Orthotic & Prosthetic (O&P) clinics enabling seamless service and close partnership.

Össur's M&A strategy is also integral to the execution of Growth'27 as it involves actively seeking strategic acquisitions to support our vision of enabling Life Without Limitations®. In addition, our foundational pillars of Sustainability, People, and Scalability are the backbone of successfully implementing our strategic ambitions.

Our Growth'27 Strategy

O&P Growth Drivers



Patient Reach



Innovative Solutions



O&P Value Creation



Bracing Simplified

Continuity

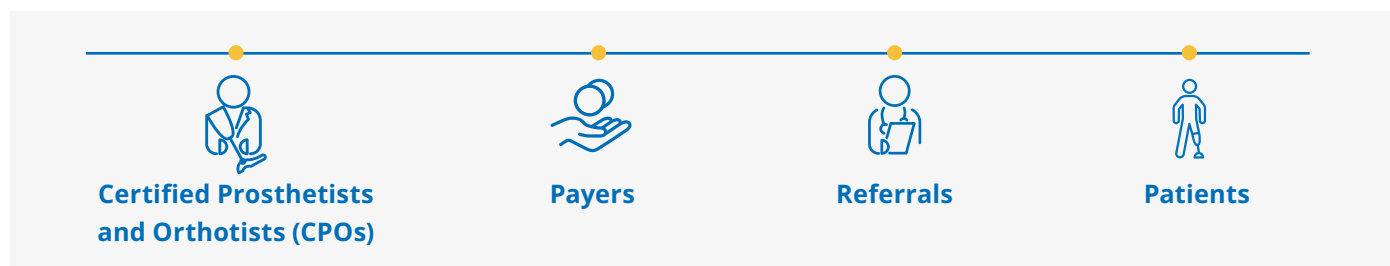
Our M&A Strategy Supports Growth'27



Enabled by People, Sustainability & Scalability

Patient Reach

Patient Reach is about creating value by better reaching and serving the patient. The patient population we focus on, chronically impaired people, is still widely underserved in terms of access to good mobility solutions, one example being fitting rates in prosthetics which still only amount to 30-40% globally. Access to proper care and products differ greatly between countries, due to maturity of infrastructure and healthcare systems. Patient Reach is about working with our primary stakeholders in each market to reach more patients and increasing access to good mobility solutions. Our primary stakeholders are classified into four segments: Certified Prosthetist & Orthotists (CPOs), Payers (public and private insurance companies), Referral sources (physicians and rehabilitation doctors), and Patients.



Chronic Mobility Challenges

One of Össur's most important objectives is reaching more patients facing chronic mobility challenges, as most patients treated within O&P require lifelong services. 70-80% of revenue in Patient Care is considered recurring revenue as it is generated from patients who are already fitted with a prosthesis getting renewals or solution upgrades.

Prosthetics

Our projections indicate that globally about 30 million individuals are in a need of prosthetics, 10 million lower limb amputees and 20 million upper limb amputees. Currently, only about 30-40% of new lower limb amputees are fitted with a prosthesis, largely due to lack of reimbursement or access to care. Fitting rates in upper limb are substantially lower, primarily for the same reasons, but also due to limited awareness of available solutions.

Orthotics

The need for orthotics is substantial, with patients suffering from ailments such as stroke, multiple sclerosis (MS), osteoarthritis, and scoliosis, resulting in chronic mobility impairment. Nevertheless, only a fraction of these patients get fitted with orthotic solutions, creating significant opportunities for Össur for further penetration in this market.

Patient Journeys

To sustain success and explore additional avenues for growth, it is fundamental to comprehend the journeys of the patients in need of our solutions.

Developed Markets

In developed markets, where patient care is well-established and public reimbursement is robust, the main challenge lies in enhancing fitting rates by offering improved solutions, especially for elderly and less active patients.

Emerging Markets

In emerging markets, where patient care is currently limited and private pay is more prevalent, the challenges involve establishing patient care with affordable solutions, support development of reimbursement models, and strategies to penetrate the private pay market.

Growth Opportunities

Developed Markets

Össur has a robust presence in developed markets where our efforts have been dedicated to functional trade-up, especially with our bionic mobility solutions, and by driving preference and value among all stakeholders to effectively cater to the needs of the chronic patient population.

Emerging Markets

Emerging markets offer a significant growth opportunity as penetration of prosthetics and bracing & supports products is still relatively low. We continue to invest in growing our emerging markets platform and further strengthening our direct sales and infrastructure.

Innovative Solutions

Össur's history is deeply rooted in innovation. We embrace innovation in all our actions and create value for our customers through functional trade-up and ease of doing business. With the Growth'27 strategy, our focus is on innovation across the whole value chain and offering lifelong health services, with the ultimate objective of increasing quality of life for the patients that rely on our products and services.

Innovation Strategy

Aligned with Össur's growth targets, our goal is to capture commercial opportunities with innovative solutions by pursuing advancements in technology and clinical application. Our goal is for our solutions to have profound impact and to be perceived as truly transformational for our patients. We channel our efforts into developing solutions that not only accommodate the current lifestyle of patients but also provide them with the prospect of sustained mobility in the long run. To ensure that patients have access to our products and services, we continue to prioritize the collection of clinical evidence and engage with payers and reimbursement systems around the world.



**Technology
& Innovation**



**Patient Needs
& Outcomes**



**Clinical Evidence
& Reimbursement**

Growth Within Reach

Our innovation efforts enhance Patient Reach by elevating fitting rates, expanding bionic penetration, and promoting functional trade-up.



**Contribute to higher
fitting rates**



**Increase bionic
penetration**



**Drive functional
trade-up**

Contribute to Higher Fitting Rates

To enhance fitting rates of lower limb amputees, we believe socket innovation is an example that can drive patient adoption and shorten rehabilitation time. A socket is the singular component of a prosthetic leg that is entirely customized for each patient. Traditional methods of socket fabrication are intricate and can often be the reason why individuals are deemed unfit for prosthetic care. Our solutions aim to simplify these complex processes and improve the delivery time of individualized sockets, whether inside or outside of the O&P clinics.

Increase Bionic Penetration

Opportunity exists to grow the prosthetics market with further penetration of Bionics. 24% of Össur's prosthetics sales came from Bionics in 2023, compared to 21% in 2022, driven by the successful launch of the new Power Knee™ in 2022 in addition to strong growth in other bionic products.

In recent years, bionic product development has predominantly focused on moderately to high active patients. While this population of patients is smaller in size compared to low active patients, it has established reimbursement in developed markets. Our intention is to extend the impact we can have on low active patients. Studies have shown that bionic devices are ultimately cost-effective solutions, have strong healthcare economics, and lower the burden of care for healthcare systems.

Drive Functional Trade-Up

Our AeroFit® solution is an example of functional trade-up coupled with groundbreaking technology. It is a transfemoral breathable prosthetic interface, combining the AeroFit Seal-In® liner and the AeroFit® Socket. The AeroFit Seal-In® liner is an innovative device featuring a proprietary 3D printed silicone structure. The solution addresses a major clinical challenge faced by amputees as many amputee's experience skin issues due to profuse sweating. This solution will be launched in selected markets in 2024.

Future Opportunities

Our efforts to drive future growth include preparing for the future of healthcare, drive functional trade-up and shape novel solutions for the O&P population.

Prepare for the Future of Healthcare

We believe that data-based applications will provide customized solutions for stakeholders across the O&P value chain. For example, digitally engaging with Össur prosthetic solutions creates an opportunity to illustrate different health trajectories, offering valuable insights for payers and reimbursement systems.

Drive Functional Trade-Up

As a long-term objective, our aim is to provide mind-controlled prosthetics, allowing amputees to intuitively define the function of their prosthesis. To achieve this, our research efforts have both focused on solutions that rely on implanted muscle sensors as well as non-invasive routes, applying artificial intelligence.

Shape Novel Solutions for the O&P Population

There are various conditions being treated in the O&P clinics, amputees being a sizable part. A prospective goal is to explore the feasibility of applying our extensive expertise in mobility to the neurological field. Majority of patients coming into the O&P clinics have suffered a stroke and there are indications that wearable robotics can improve symmetry and gait, contributing to the rehabilitation process of these individuals.



O&P Value Creation

O&P Value Creation constitutes the third pillar of Growth'27, connecting Patient Reach and Innovative Solutions. It revolves around driving productivity in the whole value chain, aiming to attract and better service a greater number of patients in the O&P clinics, and becoming a better partner to our O&P customers.

Patient Care Development and Presence

Over the last decade, we have strategically expanded our Patient Care portfolio, dedicating efforts to defining key processes and aligning operations through economy of scale. Today we have Patient Care facilities in 11 countries in approximately 200 locations across all our regions.

Most patients visiting the O&P clinics face chronic mobility challenges, most often leading to the development of a strong bond between the patient and Certified Prosthetist & Orthotist (CPO). While some solutions offered are off-the-shelf, others are more intricate, necessitating frequent visits to the clinic. In both scenarios, maintaining a high standard of service is crucial to derive enhanced value from the patient, underscoring the importance of having a robust presence within the clinics.

Key Value Drivers

A key element in O&P Value Creation is about innovating and driving more productivity in the delivery of mobility solutions within our Patient Care facilities. The end-goal is to drive better outcomes, service, and experience for the patient resulting in greater quality of service and increasing number of patients seeking care at our clinics. Socket innovation is an example of such an initiative, where time saved on the technical aspect of a solution can now be directed towards a more effective and personalized care.

To enhance financial performance and operational efficiency, we have identified key areas for realizing synergies as a vertically integrated solutions provider. Sales growth can be achieved by reaching more patients through clinical process optimization and proven innovative solutions. Cost optimization can be realized by means such as centralizing sourcing and manufacturing, Össur Legs, centralization of back-office functions, globally aligned systems and processes, and dedicated focus on efficiency and scalability.

Strategic Initiatives

Össur Portal

The Össur Portal, a platform where CPOs place orders for products and components, is an example of a strategic initiative enabling clinicians to focus more on patient care instead of a complex ordering process.

Össur Legs

The traditional process for building a prosthetic leg is complicated and error-prone, necessitating CPOs to understand functional compatibility of various components. Össur Legs, a solution that delivers a fully assembled leg in a single delivery, is an ongoing initiative meant to improve upon this process, while it also allows CPOs to increase their time spent with patients. Currently offered in selected markets, our objective is to introduce Össur Legs to additional markets in the coming years, thereby contributing to future growth.



Bracing Simplified

Within the Bracing & Supports segment, our robust portfolio includes products addressing fundamental healthcare challenges for both acute and chronic injuries.

We began implementing our Bracing Simplified strategy in 2021 and continue to focus on the four key pillars of the strategy: Identity, Customer Convenience, Product Confidence and Responsibility. Our goal with Bracing Simplified is to have a strategy that isn't solely dependent on innovation, recognizing the increasing cost and diminishing effectiveness of this approach in the bracing industry for driving growth. Furthermore, our aim is to establish a framework that enhances the efficiency and streamlines the operations of our business.



Identity

Be the trusted partner for our customers



Customer Convenience

Reduce complexity for our partners



Product Confidence

Provide our partners with a simplified and strong portfolio



Responsibility

Reduce our footprint and that of our partners

The fundamental growth drivers of the bracing market include factors such as an aging population with a rising prevalence of osteoarthritis (OA). We believe our competitive advantage lies in our focus on providing a differentiated customer experience and service, coupled with successful implementation of price increases. Most of our sales occur in the North American and European markets where sales are primarily through reimbursed channels.



Acquisitions

We will continue to pursue growth opportunities through strategic acquisitions aligned with our vision of enabling Life Without Limitations. Our M&A focus will be on acquisitions that enable us to reach and serve more patients, through a combination of market access, technology and portfolio expansions.



Market Access



Technology



Portfolio Expansion

Events After Year-End

Acquisition of FIOR & GENTZ

In January 2024, Össur acquired FIOR & GENTZ, a market leader in lower limb neuro orthotic solutions. FIOR & GENTZ develops and distributes knee and ankle orthotic joints to create innovative custom-made orthotics for patients with gait impairment due to neurological conditions.

FIOR & GENTZ was founded in 1997 in Germany, employs around 80 people, and reached total sales of approx. USD 23 million in 2023 while generating a strong EBITDA margin of 30%. The transaction is estimated to be accretive to Össur's organic sales growth and EBITDA margin before special items and is expected to have minimal impact on EPS in 2024 and to be EPS accretive from 2025.

"The acquisition of FIOR & GENTZ is in line with our Growth'27 ambition and a strong strategic fit for Össur in addition to meeting our strategic objective to address chronic mobility challenges in a broader context. We are entering a new but highly complementary product segment, as individuals with certain types of neurological conditions are already served by our primary customer channel, Orthotic & Prosthetic clinics. With FIOR & GENTZ's sales largely generated in Germany today, there are commercial synergies in leveraging Össur's global sales structure to serve a larger patient population. We are very pleased to welcome the FIOR & GENTZ team to Össur, and I am convinced that our combined efforts will benefit our customers and patients around the world."

Sveinn Sölvason

President and CEO of Össur

Taking steps to deliver on Growth'27 ambitions



Growth drivers

Innovative Solutions
O&P Value Creation
Patient Reach



M&A

Technology
Portfolio expansion
Market access



Sales growth

7-10% LCY growth p.a.
on average hereof 2-3%
acquisition growth p.a.
on average



EBITDA margin

Gradually increase the
EBITDA margin before
special items

Financial Ambition

Sales Growth

$$7-10\% = 5-7\% + 2-3\%$$

LCY* growth p.a. on average organic growth p.a. on average acquisitive growth p.a. on average

EBITDA Margin

- The ambition is to gradually increase the EBITDA margin before special items.
- EBITDA margin expansion is subject to acquisitions and currency movements, in addition to changes in the business mix.

Capital Allocation

- We will prioritize growth opportunities, value-adding investments and acquisitions, while maintaining a healthy balance sheet with a target range of 2.0-3.0x NIBD/EBITDA before special items.
- Excess capital will be returned to shareholders via purchase of own shares.



SUSTAINABILITY

Our Sustainability Commitment



At Össur everyone is responsible for sustainability, and we are proud to have more than 4,000 employees around the world contributing to making a positive impact. We have ambitious goals and are committed to the well-being of our planet and future generations.

Sustainability is embedded into our strategy and throughout our organization. We have a robust sustainability agenda and capture our commitment under the theme of Responsible for Tomorrow® recognizing that the decisions and actions we take today, will affect future generations.

In 2023, we submitted our science-based targets to the Science Based Targets initiative (SBTi) for validation. Additionally, Össur has reported to CDP since 2022, signed the UN Women's Empowerment Principles in 2014 and joined the UN Global Compact in 2011. Össur has chosen six UN Sustainable Development Goals to contribute to, based on our sustainability commitment.

**RESPONSIBLE
FOR TOMORROW.**



Össur also successfully amended its credit facilities agreement with Danske Bank and Nordea to a format where interest rates are linked to Össur's sustainability



Margrét Lára Fridriksdóttir
EVP of People, Strategy & Sustainability

efforts, such as reaching more patients and emissions reduction efforts in own operations and the value chain. The integration of sustainability into Össur's capital structure is a demonstration of our sustainability strategy.

Our Sustainability Commitment

We provide products and services that contribute to good health, using responsible production methods and supporting climate action, while being a sponsor for inclusivity and transparency.

We believe that sustainable growth is the only way to build a successful and responsible business for the benefit of future generations.

Sustainability Framework



Our Environment

Responsible for our environmental impact



Our Operations

We have set science-based targets and are actively working towards net-zero operations by 2050.

Our Supply Chain

We are reducing the environmental impact in our supply chain.

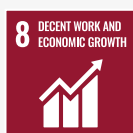
Our Products

We are reducing the environmental impact of our products and services.



Our People

Responsible for enhancing the social well-being of our people & communities



Our Customers

We develop quality products and services that improve people's mobility.

Our Employees

We nurture the well-being and development of our employees within an inclusive and safe work environment.

Our Suppliers

We partner with suppliers that are committed to quality, and ethical and sustainable practices.

Our Communities

We create a lasting positive impact on our communities, helping more people to live a Life Without Limitations.



Our Business

Responsible business leading with integrity and transparency



Our Governance Practices

We practice sound governance in all our activities.

Our Business Integrity

We set high ethical standards and act with honesty and integrity.

Our Reporting Transparency

We ensure transparent reporting of our business practices.

Governance of Sustainability

As stated by the United Nations Global Compact, “corporate sustainability starts with a company’s value system and a principles-based approach to doing business”. We at Össur have incorporated sustainability into our strategy, and management is committed to maintaining high standards of ethical, environmental, and social responsibility.

UN Global Compact

The UN Global Compact is the world’s largest corporate sustainability initiative. It is a call to companies to align strategies and operations with universal principles on human rights, labor, environment and anti-corruption, and take actions that advance societal goals. By committing to sustainability, businesses can take shared responsibility for achieving a better world.



Science Based Targets Initiative (SBTi)

The Science Based Targets initiative drives ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets.



CDP

CDP runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.



Sustainability Steering Committee and Program

The Sustainability Steering Committee is chaired by the Executive Vice President of People, Strategy & Sustainability. The Steering Committee sets our sustainability strategy, and ensures the strategy is executed throughout the organization. It meets at least quarterly and reports to the Executive Management Team.

**Executive
Management Team**



**Sustainability
Steering Committee**



**Responsible for
Tomorrow Program**

In 2023, we strengthened our sustainability governance even further by launching a Responsible for Tomorrow program to ensure clear departmental ownership and responsibilities on metrics and targets. In 2024, the focus of this program will be on science-based emissions reduction targets and compliance to the new EU Corporate Sustainability Reporting Directive (CSRD) and we foresee this program to include other aspects of our sustainability commitments in years to come. Further information is available in the Our Environment chapter.

Materiality

For the reporting year 2024, Össur is required to report in line with the requirements of the EU Corporate Sustainability Reporting Directive (CSRD). The CSRD includes 12 standards (ESRS; European Sustainability Reporting Standard) with up to 900 datapoints to be reported on and includes both up- and downstream value chain impacts. This directive will have considerable impact on our sustainability reporting. In 2023, Össur conducted a comprehensive screening of these new requirements which included:

- a Double Materiality Assessment in line with the CSRD requirements to determine which of the twelve ESRS standards are material to Össur, and
- a GAP Assessment towards all reporting datapoints in the material standards.

The results of the Double Materiality Assessment showed that 8 out of 12 ESRS standards are considered material to Össur. These standards are:

- E1 Climate change
- E2 Pollution
- E5 Resource use and circular economy
- S1 Own workforce
- S2 Workers in the value chain
- S4 Consumers and end-users
- G1 Business conduct

In addition, one mandatory standard on General disclosure shall be reported on.

These results are in line with, and support Össur's current sustainability strategy. We strive to reduce our greenhouse gas emissions and pollution, have a clear focus on our resource use and strive to move from a linear to a circular economy. We are a global company with a clear strategy on the safety of our own workforce, workers in our value chain, and our patients. We have a robust strategy on diversity, equity and inclusion, and practice transparent and ethical business conduct.

When the Double Materiality Assessment had been completed and material standards determined, all datapoints in those standards were listed and a GAP assessment done to verify the current compliance status. The total number of datapoints in the 8 standards deemed to be material were 488, of which 363 are qualitative, 112 are quantitative and 13 are both. The results of the GAP assessment showed that 14% of the datapoints were already disclosed and met requirements, 51% were partially disclosed, and 35% have not yet been disclosed. These results will be the basis to establish an action plan to ensure effective and compliant CSRD reporting for 2024.

Double Materiality Assessment Results

ESRS standards in blue are considered material to Össur

ESRS TOPICAL STANDARD	Environment ESRS E	E1 Climate change	E2 Pollution	E3 Water and marine resources	E4 Biodiversity and ecosystems	E5 Resource use and circular economy
	Social ESRS S	S1 Own workforce	S2 Workers in the value chain		S3 Affected communities	S4 Consumers and end-users
	Governance ESRS G	G1 Business conduct				
CROSS-CUTTING STANDARDS		ESRS 1 General principles			ESRS 2 General disclosures	

Össur's Key Performance Indicators

Össur's Key Performance Indicators (KPI's) are monitored and reported to the Executive Management. The KPI's reflect Össur's commitment to the UN Global Compact and the UN Sustainable Development Goals.

Priority Goals / KPIs	Target	2023	2022	2021
Our Environment				
Science-based Targets Status	Validated	Submitted	Committed	n/a
Electricity Purchased from Renewable Energy Sources	≥95%	>95%	>95%	>95%
Our People				
Gender Split Among Employees	50%, +/- 10 percentage points	M50% / F50%	M51% / F49%	M53% / F47%
Female Managers as % of Total Number of Managers	YoY increase	40%	38%	38%
Total Recordable Incident Rate, TRIR *	<1.0	1.6	0.8	0.5
New Products Specially Designed for Elderly End-Users	4 new products by 2024	3	3	3
Our Business				
Code of Conduct Training	>95%	74%	73%	n/a

* Recordable Incidents per 100 FTE's



Stakeholder Engagement

Össur's main stakeholders are business partners, customers, employees, patients and end-users, shareholders, investors and society at large. Össur utilizes various methods to ensure regular and transparent communication with our stakeholders.

Stakeholders	Communication Platform
Customers (Health-care professionals)	We communicate with our customers on a daily basis, primarily through our direct salesforce and customer service channels. In addition, the Össur Academy offers regular product training and ongoing educational support on product and industry-specific topics. Tradeshows, conferences, webinars, and industry publications are utilized to meet and communicate with customers, and customer feedback is collected on a regular basis. Össur participates in the industry dialog through board seats and involvement in O&P trade associations.
Employees	Communication with our employees occurs daily through in-person dialog, meetings, digital channels and more. The Össur intranet is a comprehensive resource for procedures, policies and a variety of other employee resources. The Workplace platform is used for news updates within local regions and globally, and fosters engagement between colleagues and teams. Össur also hosts quarterly staff meetings discussing financial results, key initiatives, and other relevant topics to keep people informed. A global workplace survey is performed annually to measure engagement in addition to other ad-hoc employee surveys which are done on a regular basis.
Patients (End-Users)	We communicate directly with the patients who visit our patient care facilities throughout the process of fitting and caring for their medical needs. Össur also communicates with patients through our social media platforms, targeted publications, and events. In addition, we partner with various advocacy groups and associations for training and educational purposes, and often work directly and indirectly with patients for product testing purposes. Össur also has relationships with individuals who serve as brand ambassadors and conduct community outreach and mentor those seeking advice and support.
Society	<p>We communicate with the society at large on our progress through the Össur Annual Report and other corporate material, the UN Global Compact Progress Report, and the CDP report which is the global disclosure system for investors, companies, cities, states and regions to manage their environmental impact. We work with organizations and stakeholders within the healthcare industry through various initiatives, such as the Össur Academy and other social outreach programs in the countries where Össur operates.</p> <p>We acknowledge that our operations have both negative and positive impact on the societies we operate in, and we continuously work towards minimizing our negative impact and maximizing our positive impact. Össur supports various causes and associations for people with mobility challenges in most of the countries where we operate. Össur strives to maintain high standards of professionalism and transparency.</p>
Shareholders / Investors	Our Investor Relations function facilitates dialog with shareholders and potential investors regularly through press releases, webcasts, participation in conferences etc. Further information on IR activities can be found on Össur's Investor Relations website .

SUSTAINABILITY

Our Environment

Össur has a positive impact through our innovative products and helping people live a Life Without Limitations. At the same time, we take responsibility for our environmental impact and continually improve our environmental management and performance. We focus our efforts on our operations, our supply chain, and our products, and thereby contribute to the UN Sustainable Development Goals (SDGs) 12 and 13. Össur's largest manufacturing, distribution and patient care facilities have a certified environmental management system according to ISO 14001:2015.

Highlights 2023

20%

leased cars
are electric

>95%

electricity purchased
from renewable energy
sources

Science-based
targets submitted
to SBTi for
validation

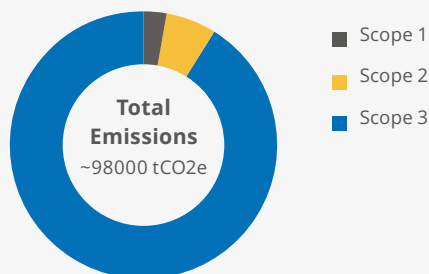
Product Carbon
Footprint
pilot project
completed

Responsible for
Tomorrow program
launched

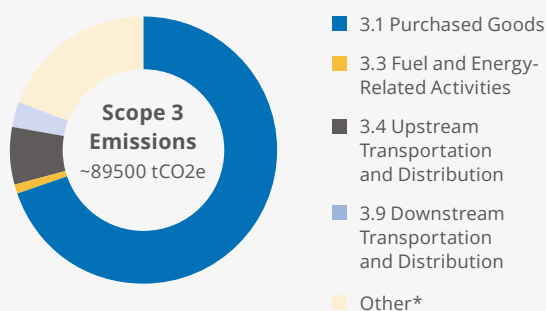


Össur Baseline Emissions

Scope 1, 2 (2019) & Scope 3 (2021)



Scope 3 (2021)



* 3.1 Purchased Services (3%), 3.2 Capital Goods (5%), 3.5 Waste Generated in Operations (0.2%), 3.6 Business Travel (2%), 3.7 Employee Commuting (8%), 3.11 Use of Sold Products (0.4%), 3.12 End-of-life of Sold Products (0.1%)

In 2023, we continued our efforts in setting science-based emissions reduction targets. These targets are in line with what climate science deems necessary to limit global warming to 1.5°C. We mapped all our emissions according to the Greenhouse Gas Protocol and the requirements of the Science Based Targets initiative (SBTi) and as a result, added some emission categories to our Greenhouse Gas Accounting. Our base year emissions reflect that Össur is a manufacturing company with 91% of the emissions coming from our value chain (Scope 3), especially Purchased Goods and Services. The direct emissions (Scope 1&2) are only 9% of our base year emissions.

Össur's Environmental Policy

Össur aims to minimize its environmental impact by:

- Preventing, reducing, or controlling waste and pollution from our operations.
- Meeting all applicable environmental compliance obligations and commitments.
- Focusing on continual improvements of the environmental management system by meeting our objectives.
- Encouraging employee participation.

SDG 12: Responsible Consumption and Production

Össur is actively working on reducing the environmental impact of our products.

Analyzing the product lifecycle, from development, through production, use and disposal, enables us to make informed decisions on where to prioritize our efforts.



SDG 13: Climate Action

Össur takes responsibility for our environmental impact and we are continually improving our environmental management performance.

We have submitted ambitious emissions reduction targets to the Science Based Targets initiative (SBTi) and anticipate validation in early 2024.



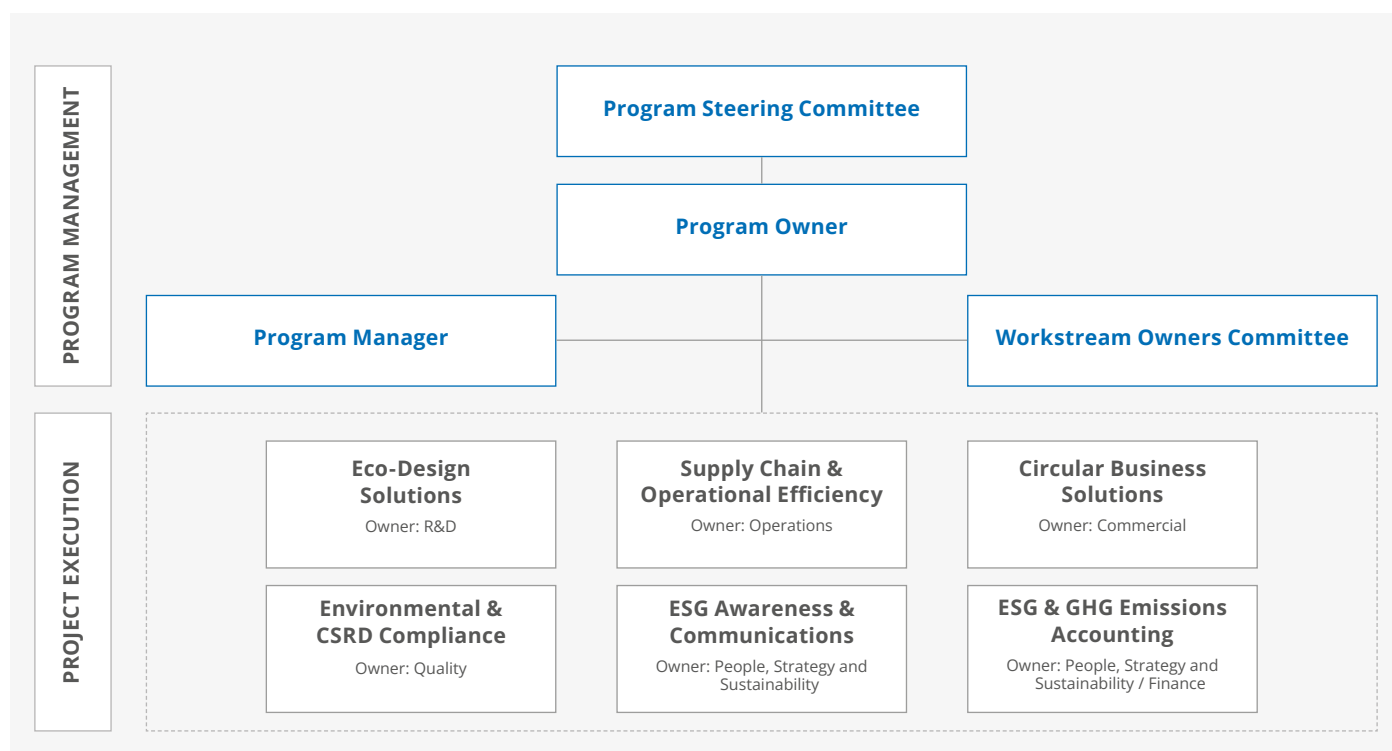
When our base year emissions had been calculated, we developed our science-based targets according to SBTi requirements and submitted them to SBTi for validation in June. The validation process is ongoing at the time of this report and we anticipate validation in early 2024.

Our Science-based Targets

Near-term 2030	Össur commits to reduce absolute scope 1 and 2 GHG emissions 79% by 2030 from a 2019 base year. Össur also commits to reduce absolute scope 3 GHG emissions from purchased goods and services, fuel and energy-related activities, upstream and downstream transportation and distribution 25% by 2030 from a 2021 base year.
Net-zero 2050	Össur commits to reduce absolute scope 1 and 2 GHG emissions 90% by 2050 from a 2019 base year. Össur also commits to reduce absolute scope 3 GHG emissions 90% by 2050 from a 2021 base year.

Our science-based targets provide a clear guidance on where to prioritize our efforts to support Climate Action. The challenge is to decouple our emissions from our growth. We acknowledge this challenge and manage our efforts under our Responsible for Tomorrow program, launched in December 2023. Within this program, we have six workstreams with clear departmental ownership, roles and responsibilities on metrics and targets related to our climate actions.

Responsible for Tomorrow Program



Our Operations

Our direct emissions (Scope 1&2) include company facilities and vehicles, and purchased electricity, steam, heating, and cooling for own use. Our science-based target 2030 is to reduce these emissions by 79%, compared to 2019 base year. To meet this target, we will continue to improve energy efficiency in our main facilities, purchase electricity from renewable energy sources, and shift to electric leased cars.

In 2023, our Scope 1&2 emissions had reduced by 72% compared to 2019 base year. The biggest contribution to this positive result is Össur's commitment to purchase electricity from renewable energy sources, starting in 2021.

We have set science-based targets and are actively working towards net-zero operations 2050

Progress on Scope 1&2 Science-based Targets

	2030 target	2023	2022	2021	2020	2019 base year
Scope 1&2 emissions (tCO ₂ e)*	1,850	2,500	2,700	2,300	7,300	8,800
% change (-/+) from base year	-79	-72	-70	-73	-17	100

* Emissions from company facilities and vehicles, and purchased electricity (market-based), steam, heating, and cooling for own use.

In 2023, Össur supported climate action with carbon credits equivalent to our Scope 1&2 emissions. The credits were generated by Oaxaca Wind Farm in Mexico and thereby we supported the energy transition in Mexico.



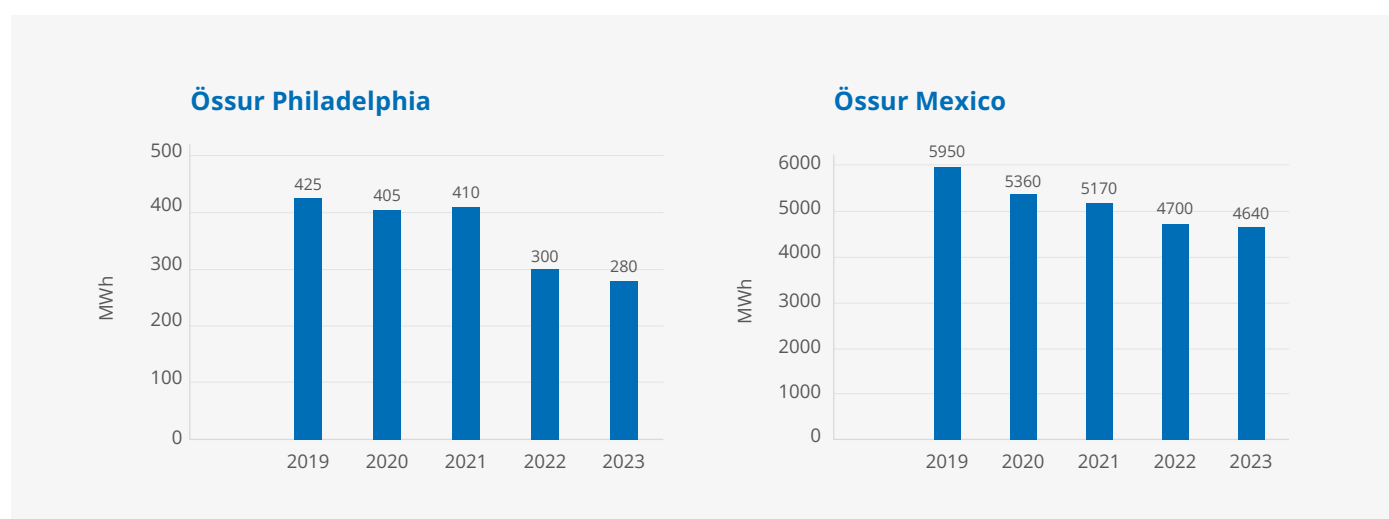
Purchased Electricity

In 2023, our total purchased electricity was 17,750 MWh, compared to 18,790 MWh in 2022. Thereof, more than 95% was from renewable energy sources, confirmed with Energy Attribute Certificates (EACs). We continued to see the benefits of the energy efficiency improvements in our largest manufacturing sites in Tijuana, Mexico and the distribution site in Philadelphia, US. These improvements resulted in 10% annual electricity savings in Tijuana and 32% in Philadelphia, compared to 2021 when the improvements were implemented.

	2023	2022	2021	2020	2019
Total electricity consumption (MWh)	17,750	18,790	18,860	19,230	19,340
% electricity from renewable energy sources	>95	>95	>95	24	24

Numbers for previous years have been updated to meet SBTi requirements.

Electricity Consumption



Emissions From Car Fleet

Össur operates a car fleet of over 300 cars, and eligible are mainly customer facing employees and some managers in leadership positions. Most of the cars are leased but also include usage per allowance. Össur has set an ambitious target to have >75% of leased cars as electric in 2030, and in 2023 the target of 20% leased electric cars was met.



Our Supply Chain

Össur operates in 36 countries and our products positively impact the quality of life for people around the world. Emissions from our value chain (Scope 3) constitute 91% of our total base year emissions, with the biggest impact from our purchased goods and services, mainly our purchased raw materials, components, and finished goods.

Our near-term Scope 3 science-based target is to reduce absolute emissions by 25% by 2030, compared to 2021 base year. The target includes purchased goods and services, fuel- and energy-related activities, and both upstream and downstream transportation and distribution. These emission categories cover around 80% of our Scope 3 base year emissions.

We fully recognize and acknowledge the challenge to meet our Scope 3 science-based target as it means rethinking how we design, manufacture, and sell our products and services. The task is to decouple our growth from our emissions, by applying Eco-design principles and circular solutions, and optimizing our transportation and distribution of goods.

In 2023, the Scope 3 emissions within our near-term science-based target increased by 3% compared to 2021 base year. At the same time revenue increased 9%. This decoupling of growth and emissions is what we strive for, while acknowledging that more will need to be done to meet our Scope 3 science-based targets.

We are reducing the environmental impact in our supply chain



Progress on Scope 3 Science-based Targets

	2030 Science-based target	2023	2022	2021 base year
Scope 3 emissions* (tCO ₂ e)	54,100	74,300	88,700**	72,100
% change (-/+) from base year	-25	+3	+23	100

* Includes purchased goods, fuel- and energy-related activities, and both upstream and downstream transportation and distribution of goods.

** The increase in purchased goods in 2022 resulted from constraints on the global supply chain due the COVID-19 pandemic.

Purchased Goods

Össur is committed to delivering safe, reliable quality products to our customers and the patients we serve. Our purchased raw materials, components and finished goods must meet the highest quality standards. At the same time, we strive to reduce our environmental impact and are exploring actions to reduce the emissions from purchased goods.

We partner with suppliers that share our commitment to sustainability and are working on reducing the emissions from their goods. Our goal is to be able to calculate emissions from our purchased raw materials, components, and finished goods by using emission factors that are supplier specific, instead of using industry average.

In 2023, the emissions from our purchased goods increased by 6% from 2021 base year. This is in line with our inventory development for the past four years, considering COVID-19 pandemic impacts. Our future progress in reducing emissions from purchased goods will depend on the global development and innovation towards materials with lower emissions. We foresee this to materialize in good collaboration with our key suppliers.

Transportation and Distribution

Össur is making meaningful strides in reducing the environmental impact of our freight operations. We conduct annual Supply Chain Network Studies to measure, benchmark, and assess our freight transportation activities and are strategically making better choices that reduce both greenhouse gas emissions and cost. We have managed to redesign our freight operations towards a more sustainable mode of transport throughout our supply chain, in good collaboration with our customers, suppliers, and our carriers.

Össur is also reducing the environmental impact within our supply chain by using an on-demand packaging

solution which creates a custom box for each customer order. By making the smallest possible box we reduce the amount of corrugated and filler material, decrease dimensional weight and related costs in transportation, and meet our customers' needs. This initiative also reduces product damage. This on-demand packaging solution is implemented in our three largest warehouses and has improved the fill rate by approximately 20% and reduced total corrugated material used by 10-15%. We continue to work on improving the fill rate of our shipping boxes, for example by enhancing the intelligence about the nesting of our products into the shipping box.

In 2023, the emissions from transportation and distribution were 7,600 tCO₂e compared to 9,000 tCO₂e in 2021 base year. This is a reduction of 16% which can partly be explained by less goods transported. More importantly, the emissions intensity per weight shipped reduced by 8% compared to 2021, confirming that our actions are having a positive impact and supporting our science-based targets.

Waste Management

Good waste management is an important part of responsible operations resulting in reduced pollution and lower disposal costs in operations. The primary raw materials used in Össur's manufacturing processes are metals, silicone, composites and plastics. We strive to use our raw materials in the most efficient way and continuously reduce waste from operations which is key in supporting our science-based target of reduced emissions from purchased goods.

In 2023, the total waste generated reduced by 10% compared to 2022, from 1,550 tonnes in 2022 to 1,390 tonnes in 2023. Thereof, 70% were recycled and/or recovered, compared to 68% in 2022. The target in 2023 was ≥65% recycled and/or recovered. The waste intensity in 2023 was 1.8 tonnes/mUSD, compared to 2.2 in 2022.

Waste Management

	2023	2022	2021	2020	2019
Total waste (tonnes)	1,390	1,550	1,360	1,220	1,850
Waste intensity (tonnes/mUSD)	1.8	2.2	1.9	2.0	2.7
% Recycled and/or Recovered	70	68	67	65	68

Our Products

At Össur, sustainability is shaping the way we innovate. A significant part of the environmental impact of a product is determined during the design stage. Eco-Design solutions with reduced environmental impact are key to reaching our science-based emissions reduction targets. We are establishing and executing carbon footprint reduction plans to address new and existing products, services, and packaging.

Össur's products are medical devices which must comply with strict regulatory requirements. Therefore, all efforts towards improving environmental performance must be aligned with these requirements, and thus the ability and rate of improvements are subject to them. We acknowledge this challenge, apply caution and focus our efforts where we can have the biggest impact.

Eco-Design Solutions

Developing a better understanding of our product carbon footprint is a fundamental step towards establishing and executing reduction plans that support our science-based targets. By embedding sustainability into our design processes, we can capture greenhouse gas emissions of products in a systematic and transparent way, identify reduction opportunities and explore potential actions.

In 2023, selected bracing products were analyzed with regards to their material carbon footprint, where emissions are calculated for all the materials used in the product. The analyzed products represent 60% of sold volume within the bracing and supports segment. Our goal is to be able to calculate the Product Carbon Footprint (PCF) over the product life cycle, covering raw

We are reducing the environmental impact of our products and services

material extraction, transportation, manufacturing, and distribution. In 2023, an important milestone was achieved by completing a pilot project testing a PCF software and completing PCFs for 6 key bracing products. This work is an important steppingstone towards determining the climate impact of our products and establishing and executing carbon reduction plans.

Improving raw material efficiency is an important action to reduce product environmental impact. In 2023, a new and improved version was released of Össur Brim, which is a flexible proximal silicone brim for Direct Socket TF. In this improved version the raw material efficiency in the final product increased from 78% to 95%.

Another example of improved raw material efficiency in 2023 is a change that was made in the manufacturing process of the Unloader One® X brace. Material that was previously scrapped when overmolding shells is now reground, mixed with virgin material and reused. This single change results in an annual saving of 1,500 kg of virgin material. Further reduction of virgin material waste is expected as we identify opportunities to implement this in other overmolding processes.



Product Packaging

Product packaging has a relatively short lifetime. Once it has served its purpose of protecting the product through transport and storage, our goal is to ensure that it can be easily recycled and disposed of with as little impact as possible.

In 2023, we published Össur's Environmental Packaging Criteria to guide us in packaging design and support our sustainability goals. We are implementing more sustainable packaging across different product lines in a prioritized order with packaging volumes and impact in mind. We aim to have completed this implementation by 2030. The emphasis is on selecting recycled, recyclable, and traceable materials, reducing volumes and the use of plastics, surface coatings and printing, and providing clear recycling and disposal information.

Our packaging efforts are already contributing to significant waste reduction. In 2022, changes were made to the packaging of the Unloader One Smartdosing®, Unloader One® X, Rebound® Cartilage and Formfit® OA Ease. In 2023, these changes contributed to a waste reduction of 20 tonnes.

More packaging changes were implemented in 2023, including new packaging for our liners that is currently being rolled out. This new and improved packaging contains more than 30% recycled content of the raw material. The thickness of plastic bags was reduced to a minimum resulting in 30% less material use. The packaging uses minimal water-soluble ink.

Circular Solutions

Össur is seeing increased demand for circular use of certain medical devices through the EU Green Deal and upcoming value based tender frameworks of major healthcare systems. We acknowledge this change and are planning limited trials of selected products in a re-processing and re-use setting. These trials will provide valuable input for building sustainable business models that optimize raw material use and add a well-defined value for our customers' practices.



Environmental Metrics

The below reporting on environmental metrics is in accordance with the Nasdaq ESG guidance.

Environmental Metrics*		Contribution to UNGC and SDGs	2023	2022	2021
E - 1	GHG Emissions in tonnes CO2 equivalents (tCO2e)	UNGC P7			
1.1	Scope 1 - Direct emissions, tCO2e		2,300	2,470	2,030
	Stationary Combustion		800	820	800
	Mobile Combustion		1,500	1,640	1,230
	Fugitive Emissions		0	7	0
1.2	Scope 2 - Indirect emissions, tCO2e - Market-based**		200	200	300
	Purchased electricity and heat - Location-based		3,990	5,040	5,410
	Purchased electricity and heat - Market-based**		200	200	300
1.3	Scope 3 - Other relevant indirect emissions, tCO2e		99,900	108,700	89,500
	Purchased Goods		65,730	79,050	62,180
	Purchased Services		3,390	3,320	2,780
	Capital Goods		9,220	5,280	4,850
	Fuel- and Energy-Related Activities		990	1,080	980
	Upstream Transportation and Distribution		5,300	6,020	6,270
	Waste		130	170	150
	Business Travel (air, trains)		5,110	3,300	1,800
	Employee Commuting		7,250	7,430	7,290
	Downstream Transportation and Distribution		2,270	2,580	2,690
	Use of Sold Products		340	400	360
	End of Life Treatment		130	110	110
	Total emission - Scope 1, 2, 3, (Market-based), tCO2e		102,400	111,370	91,830
E - 2	Emissions Intensity	SDG 13, UNGC P7, P8			
2.1	Total GHG emissions per revenue, tCO2e/USD million		130	155	128
	Revenues (USD million)		786	719	719
E - 3	Energy Usage	SDG 12, UNGC P7, P8			
3.1	Total energy directly consumed (MWh)		10,060	10,680	9,100
	Stationary Combustion		3,870	3,960	4,000
	Mobile Combustion		6,190	6,720	5,100
3.2	Total electricity consumed (MWh)		17,750	18,790	18,860
E - 4	Energy Intensity	SDG 12, UNGC P7, P8			
	Total energy directly consumed per revenue, MWh/USD million		13	15	13
E - 5	Energy Mix				
	% electricity from renewable energy sources***		≥ 95%	≥ 95%	≥ 95%
	% electricity from other energy sources		< 5%	< 5%	< 5%

E - 6	Water Usage			
6.1	Total amount of cold water consumed (m ³)	129,000	124,000	92,000
E - 7	Environmental Operations			
7.1	Does Össur follow a formal Environmental Policy?	Yes	Yes	Yes
7.2	Does Össur follow specific waste, water, energy, and/or recycling policies?	Yes	Yes	Yes
7.3	Does Össur use a recognized energy management system?	Yes	Yes	Yes
E - 8	Climate Oversight / Board			
	Does Össur Board of Directors oversee and/or manage climate-related risks?	Yes	No	No
E - 9	Climate Oversight / Management			
	Does Senior Management Team oversee and/or manage climate-related risks?	Yes	Yes	Yes
E - 10	Climate Risk Mitigation	UNGC P9		
	Total amount invested, annually, in climate-related infrastructure, resilience, and product development	See Note ****	n/a	n/a

* Numbers for previous years have been updated to meet SBTi requirements.

** According to the GHG Protocol Scope 2 Guidance, for the market-based method, all electricity purchased with confirmed Energy Attribute Certificates (EACs) have an emission factor of 0.

*** Over 95% of purchased electricity is from renewable energy sources, confirmed with Energy Attribute Certificates (EACs).

**** Please see our disclosure on Taxonomy in the chapter Methods and Assurance



SUSTAINABILITY

Our People

Our Customers

We help individuals advance their everyday life and pursue their goals without limitations. Prosthetics are used by people who were born with limb loss or limb difference, or who have had limbs amputated for a variety of reasons. Bracing & Supports are used by individuals who develop knee pain, are diagnosed with osteoarthritis in their joints, incur fractures to their ligaments or injure themselves causing movement impairment. Our products are delivered to the end-users through healthcare providers who specialize in assisting individuals with impaired mobility. Össur's customers are primarily within Orthotic & Prosthetic (O&P) Clinics where clinicians fit

patients with necessary products and solutions, and subsequently claim reimbursement from private or public insurance providers.

We develop quality products and services that improve people's mobility

Highlights 2023

40%

Female in Management Positions

606 Implemented employee suggestions on improved workplace safety

50% | 50%

**Gender Ratio
Male | Female**

Supplier Survey on Environmental Sustainability completed

Össur can have the most material impact on society through our core mission of improving people's mobility. Our product solutions and patient care services directly contribute to Goal 3 on Good Health and Well-Being.

Globally, only 30-40% of new lower limb amputees are fitted with a prosthetic solution. The average age is between 65-70 years and vascular related amputations are above 70%. Statistics demonstrate that if amputees in this age group do not become mobile, life-expectancy is materially reduced. Physical activity and exercise can have immediate and long-term health benefits and more importantly, regular activity can improve quality of life.

SDG 3: Good Health and Well-being

Össur is committed to designing a product portfolio focused on the needs of amputees over the age of 65. Supporting this group of individuals will benefit society in multiple ways, as improved mobility allows for more independence, improved quality of life and likely reduces pressure on healthcare systems.



Goal 3 - Actions and Progress

	Target	2023	2022	2021
New products specially designed for elderly users (2 of 3 products already approved by reimbursement authorities)	4 new products by 2024	3	3	3
Ongoing prosthetic studies which will inform developers about the elderly customer group	Ongoing	28%	46%	21%
Availability of Products ^{1*}	YoY increase	37%	39%	37%
Availability of Products and Services ^{2*}	YoY increase	17%	17%	17%

1) Percentage of countries where Össur products are available

2) Percentage of countries where Össur provides both products and services (direct sales)

* During a review and update of the data collected, it was discovered that figures for availability of products reported in 2021 and 2022 were incorrect. Figures in the above table have been corrected accordingly. Reason for the decrease in the percentage of availability and services is due to war and/or armed conflicts.

Access to Healthcare for Elderly Amputees

In relation to our commitment to Goal 3 we are tracking a special initiative related to design and availability of products that offer additional benefits for the elderly, increasing their independence and quality of life. At the end of 2023, Össur has launched three products that are specially designed for this user group. We also launched an updated Proprio Foot®, a proven bionic ankle which is now waterproof with additional functional benefits. Enhancing our offering of waterproof prosthetic products enables elderly individuals to utilize their prosthetic devices to the fullest.

Studies related specifically to elderly amputees play an important part in informing our developers and product designers on the specific needs of the elderly. The ratio of ongoing prosthetic studies which will inform developers about the elderly customer group is 28% compared to 46% in 2022.

The cycle of the investigations is dependent on participation of users and approval processes with authorities. Additionally, when involving elderly individuals in clinical investigations, various external factors need to be considered.

Product Quality & Safety

Össur is committed to delivering safe, reliable quality products to our customers and end-users.

The Quality Management System

Great emphasis is placed on quality, and it is an intrinsic part of our processes. Össur has had a certified quality management system in place since 1993 which is based on ISO management standards and complies with the applicable medical device regulations in the countries that Össur sells to. The system has globally aligned processes to manage quality and risks throughout product development, production, delivery and post-market surveillance. The Össur product lifecycle process is governed through an approved quality management process. The process governs the product from product concept all the way through to product discontinuation. Pre-defined gates where members of the executive management team are present ensure that Össur products are managed at every step of the lifecycle to ensure quality and safety.

The quality management system is certified to the international Medical Device Standard ISO 13485:2016. In addition, key locations are also certified according

to MDSAP, or the Medical Device Single Audit Program, which is audited on an annual basis and covers compliance with local standards in addition to regulatory requirements in Australia, Brazil, Canada, Japan, and the United States.

The quality management system and the environmental management system are both built on the same ISO foundation. Össur's largest manufacturing and distribution sites and clinics have a certified environmental management system according to ISO 14001:2015.

Quality Policy

We strive to provide products and services to exceed customers' expectations. Strongly focused on continuous improvement, we monitor and respond to needs, complying with all regulatory requirements.



Certifications of Össur Sites			
	ISO 13485:2016	MDSAP	ISO 14001:2015
Reykjavik, Iceland	✓	✓	✓
Eindhoven, The Netherlands	✓		✓
Tijuana, Mexico	✓		✓
Philadelphia, New Jersey, USA	✓	✓	✓
Livingston, UK	✓		
Manchester, UK	✓		

Össur's certification service provider is BSI, a leading global organization with extensive experience with medical devices. BSI is a designated European Notified Body, UK Approved Body, an accredited ISO 13485 Certification Body, and a recognized auditing organization under the MDSAP program. Össur has extensive global reach and our products are sold in over 100 countries. In

those countries, our products are registered as necessary in accordance with regulations on medical devices. Össur's global quality management system is set up to comply with strict international medical device standards and regulations and is continuously evolving as the regulations and standards expand and change.



100

Countries in which
Össur medical
devices are sold and
registered

Össur's certification
provider and notified
body is

bsi.

Össur is
MDSAP
certified

Customer Feedback

Össur values feedback from our customers in relation to products and services. Össur carefully monitors feedback from customers. All feedback, complaints and adverse events are evaluated and analyzed on an individual basis, and on average Össur responds to its customers in less than 30 days.

Feedback received from customers is used as one of the key attributes when Research & Development is working on product improvements and new product development.

The Össur Quality Center plays a key role in coordination and alignment with various departments, allowing Össur to provide quality products and increased safety for the users of our products. The Quality Center is responsible for successful closure of all complaints globally in cooperation with all Össur locations responsible for complaint handling and management. Össur strives to secure user safety and uses industry standard ISO 14971:2019, Risk Management Standard for Medical Devices as the main method with the support of internal and external test labs to verify product quality prior to market release. Feedback on devices placed on the market is also used as one of the key attributes in assessment of risk.

Product Field Safety Actions

Össur is committed to delivering safe and reliable products to end-users. If customer feedback or internal controls reveal any risk in the use of already distributed products, Össur will initiate a voluntary Product Field Safety Action to either remove (recall) the products from the market or provide a safety alert with instructions for safe use of the product.

Materials

Össur is mindful when it comes to selecting materials and substances used in our products. All products have been evaluated for biological safety and are safe for their intended purpose. In some cases, animal testing is necessary due to legal requirements and safety assessments. A large part of Össur products do not need specific biocompatibility testing due to the nature of the product. In cases where products come into contact with human tissue, Össur performs biocompatibility testing as appropriate according to the latest ISO 10993 biocompatibility standards through accredited laboratories to ensure safety.

Össur initiated two global Product Field Safety Actions in 2023:

In April 2023, Össur initiated a Field Safety Corrective Action for Icelock® Ratchet, a prosthetic component, to inform healthcare providers about potential loss of suspension due to faster wear than expected of the lock mechanism.

In November 2023, Össur initiated a Medical Device Correction for Power Knee™, a prosthetic bionic knee, due to a battery connection issue causing potential loss of power to the device. Customers were provided with conforming batteries to replace the recalled batteries.

Össur supports the principle of reduce, refine, and replace animal use in testing where feasible. Össur is experiencing increased attention from customers and markets on materials and substances and will continue to focus on this important topic.

Trials and Transparency

Clinical Investigations

In research and development, Össur relies on clinical and biomechanical evidence and health economic data to develop valuable concepts for individuals and healthcare systems. All clinical investigations and research activities sponsored by Össur follow clinical investigation protocols, respecting participants' rights and ensuring their safety and well-being, in accordance with the Declaration of Helsinki. Clinical investigations are an important component of the development process for evaluating the performance, safety, and potential benefits of a product.

Clinical Standards and Transparency

Össur's Executive Vice President of Research and Development has overall responsibility for the research program and to ensure compliance with all ethical and industry standards, namely ISO 14155:2020. All investigations performed by Össur, or third parties Össur cooperates with, follow protocols approved by an ethics committee. All relevant clinical investigations conducted within the jurisdiction of the European Medical Device Regulation (MDR) are shared with a Competent Authority and registered in the EUDAMED database. Furthermore, clinical investigations are registered on clinicaltrials.gov where applicable and results from pivotal investigations are offered for publication in peer reviewed journals.

Össur has training programs in place regarding conducting clinical investigations, including training

in Good Clinical Practice (GCP) for employees directly involved in the investigations to ensure ethical conduct, and compliance with standards and regulations.

Furthermore, relevant employees in sales and marketing receive training on clinical benefits and marketing material claims.

Össur product marketing material is governed through the compliant marketing material process within the Quality Management System where it is ensured that published marketing material is consistent with the internally approved claims on safety, performance, and benefits.



Diversity, Equity and Inclusion Councils

We have set up global and regional diversity, equity and inclusion (DE&I) councils to set targets, implement actions and monitor our progress. The global DE&I council is working on the overall DE&I strategy and implementation company wide, deciding on what is rolled out to the whole organization like workplace survey questions, training, system data improvement, awareness campaigns and more.

In 2023, the Americas region created and started execution on a roadmap of opportunities and priorities identified from 2022's organizational equity survey, collected in partnership with Calling All Allies (CAA). The strengths and opportunities were categorized into four areas: Policies & Procedures, Performance & Development, Leadership & Management and Culture & Climate. A few highlights of activities executed on in 2023: To enhance Performance & Development and Leadership & Management, all people leaders in the region were provided an Equitable Leadership virtual development session run by Calling All Allies (CAA), with 60% participation. In addition, eLearning modules were

created and launched to all employees on the topics of Inclusion Mindset, becoming a DE&I Ally and Agent for Change and Activating DE&I Culture Shifts. To support Policies & Procedures a new committee was formed to review current and make policy recommendations on equitable and inclusive improvements. The New Hire Orientation committee organized quarterly meet and greet with leadership members to promote Culture & Climate. The goal is to resurvey in 2024 to determine if activities undertaken improve the equity domain score from the 2023 survey, 3.6 out of 5, with industry standard being 3.5.

In the EMEA region, we educated managers about the importance of hiring diverse talent, included diverse language in all internal and external hiring documentation, identified DE&I ambassadors in the region, analyzed equal pay practices in the largest locations, and followed up on inclusive leadership training. The goal for 2024 is to identify specific DE&I needs in the region and initiate sub committees to execute DE&I efforts in Leadership and Management, Talent Acquisition, Learning and Development, and Total Rewards.

Diversity, Equity and Inclusion



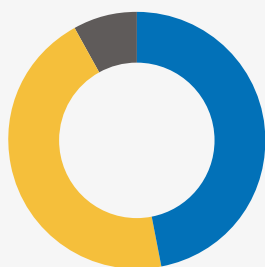
Gender Ratio

- Male 50%
- Female 50%



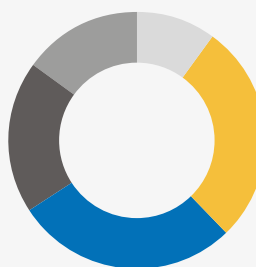
Female in Management Positions

40%



Education

- University Degree 47%
- Other 45%
- Vocational or Technical Training 8%



Age

- 16-25 10%
- 26-35 28%
- 36-45 28%
- 46-55 19%
- 55+ 15%

Inclusion Index

We monitor and measure diversity and inclusion on a continuous basis, making sure it is part of our company culture. We include questions on diversity and inclusion in our workplace survey. When employees are asked if everyone at Össur is treated fairly regardless of ethnic background, race, gender, age, disability, or other differences not related to job performance, we scored 4.31 on a 5-point scale in 2023. We measured an Inclusion Index (three questions related to inclusion) in our overall annual workplace survey to ensure our focus on an inclusive work environment, and scored 4.08 out of 5 globally in 2023, a slight increase from the year before. An independent international vendor supports the annual workplace survey. We have increased training opportunities on diversity, equity and inclusion in our online learning system and we have a diversity dashboard available for our leaders so they can monitor the diversity in their teams. We offer flexible work arrangements for positions that can be done remotely, so that employees can better manage how and where they work, a benefit that many employees appreciate.

Applicants and employees who do not identify themselves as male or female can select non-binary as their gender in our main HR Information System.

Recruitment Strategy

The Össur recruitment strategy includes reaching an ever-increasing diverse pool of candidates, and we hope this translates to a more diverse employee population. As part of our recruitment outreach, Össur has contracted with large job recruitment-based websites. Postings include 33 separate and targeted job boards which include job boards for Military Veterans of all services and job boards for people of color and women. Our aim has also been to ensure hiring managers play a more prominent role in the hiring process, and we capitalized more on referrals from our existing employees when it comes to finding and introducing new employees to the company.

As part of our efforts to be an employer of choice in all markets and support diversity outside our organization, we launched the Össur Give Back Program in 2021, providing all employees with the opportunity to give back to their community by offering them one volunteer day per year with pay.

Human Rights

We respect and support internationally recognized human rights, including labor rights as stated in the UN Guiding Principles on Business and Human Rights, as framed in the first six principles of the UN Global Compact. Össur has a Human Rights Policy supporting all internationally recognized human rights, including labor rights. As stated in the Policy, we are committed to complying with all applicable laws, rules, and regulations in relation to human rights, which covers areas such as forced labor, slavery, child labor, sex trafficking, human trafficking, workplace abuse or any other form of discrimination as outlined in Össur's Human Rights Policy.

We encourage employees to report any suspected violation of our policies and have a Speak-Up line accessible for employees and other stakeholders. Any retaliatory actions against good faith reporting of actual or suspected violations is prohibited. Furthermore, we expect our business partners and all other strategic partners to understand and address our expectations related to human rights. Read the [Human Rights Policy](#) in full on the Össur's website.

SDG 5: Gender Equality

Össur believes in the importance of diversity in its broadest sense. Gender equality is not only fair, it also makes economic sense to utilize the skills, strengths and knowledge of all Össur employees equally. Össur will continue to support and implement policies and practices that prevent gender-based discrimination.



One of the SDGs Össur supports is Goal 5 on Gender Equality. This is an ongoing commitment and for years Össur has both measured and published gender split between employees as well as the gender split in management positions. Össur believes in diversity in its broadest sense and the importance of gender equality in the workplace and society as a whole. Gender equality is not only fair, but it also makes economic sense to utilize the skills, strengths, and knowledge of all Össur employees equally.

In 2023 the split between female and male was 50% women versus 50% male employees, increasing the female percentage by 1 percentage point between years (49% women, 51% male in 2022). In 2022, women held 40% of management positions, 2 percentage points increase from 2021. The board of directors is composed of 3 men and 2 women, while the executive committee is composed of 3 women and 5 men. As Össur will continue to grow through acquisitions we expect that from time to time these figures will be impacted. In general, at Össur we continuously focus on increasing the number of female managers and maintaining the relative even gender split between employees.

Audit on Equal Remuneration

Össur Iceland is following an Icelandic Standard on equal remuneration for equal responsibility, IST 85:2012, which is audited by BSI. Össur had its first audit under the IST 85:2012 in 2017 and was among the first companies in Iceland to be audited in accordance with this standard.

As Össur is Equal Pay Certified, yearly audits are conducted. The most recent audit was completed in October 2023 and resulted in a salary analysis that is within a statistical margin of error. This indicates that there is not a statistically significant difference in salaries between genders at Össur in Iceland. In our European and Emerging markets regions, our aim is that all genders performing equal work receive equal pay. In the Americas, salary surveys on all employees are conducted annually as part of standard compensation review procedures and in accordance with the Equal Employment Opportunity Commission (EEOC).

UN Women's Empowerment Principles

The Women's Empowerment Principles are a set of principles for businesses offering guidance on how to empower women in the workplace, marketplace, and community. Össur signed the United Nations Women's Empowerment Principles in May 2014.

UN Women's Empowerment Principles	Össur's Action Items or Policies in Place
Establish high-level corporate leadership for gender equality	✓
Treat all women and men fairly at work – respect and support human rights and non-discrimination	✓
Ensure the health, safety and well-being of all employees regardless of gender	✓
Promote education, training and professional development for women	✓
Implement enterprise development, supply chain and marketing practices that empower women	
Promote equality through community initiatives and advocacy	✓



The Össur Women's Leadership Initiative to Encourage Diversity in the Industry

Since 2014, Össur has been committed to its Women's Leadership Initiative (ÖWLI). The aim of the initiative is to encourage greater diversity and inclusiveness in the Orthotic and Prosthetic (O&P) industry. The program intends to support O&P practitioners by providing a forum that encourages interaction, community building and educational opportunities that serve the needs of the growing number of women in the field. The initiative is primarily focused on the US market but global interest and awareness in the program is growing. Due to unforeseen circumstances, ÖWLI events were paused in 2023. As part of Össur's ongoing commitment to female professionals in the field, we aim to make new events and content available in 2024.

The Össur Women's Leadership Initiative Goals

- Engage inclusively with both men and women to provide development support to female practitioners.
- Bring awareness to gender biases in the workplace and practices that promote diversity.
- Create a forum for female practitioners to network and provide support to one another.
- Establish a greater number of female role models for future practitioners.
- Create a positive and balanced perception of both male and female industry leaders.

Goal 5 - Actions and Progress

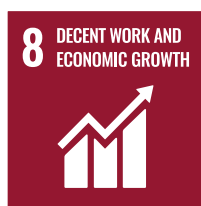
	Target	2023	2022	2021
Gender split among employees*	50%, +/- 10 percentage points	50% Female 50% Male	49% Female 51 % Male	47% Female 53 % Male
Female Managers (percentage of total number of managers)	YoY increase	40%	38%	38%
Össur's Women's Leadership initiative (ÖWLI) Encourage greater diversity and inclusiveness in the industry	Annual conferences and webinars	No Webinars	4 Webinars	3 Webinars

*Flexibility in gender split allows for non-binary gender, recognizing that some employees may not wish to be categorized



SDG 8: Decent Work and Economic Growth

Össur is committed to offering attractive job opportunities and good working conditions worldwide, thereby stimulating the economy. We protect labor rights and emphasize safety in all our operations. For decades, we have promoted learning opportunities for our own employees as well as the larger O&P community, through the Össur Academy.



Based on our long-standing commitment to ensure inclusive and equitable quality education, and a safe and inclusive workplace, Össur supports UN Sustainable Development Goal 8. We offer attractive job opportunities and good working conditions and are therefore able to stimulate the economy. We protect labor rights and offer safe working conditions in our own locations, and in partnership with our suppliers. Our solutions improve people's mobility, thereby enabling more individuals to enter and stay in the labor market. For decades, Össur has promoted learning opportunities for own employees as well as the larger O&P community, through the Össur Academy.

Talent Development

Our employees take responsibility, both for their current job and for their career advancement. We offer various learning opportunities, so employees can build lasting and rewarding careers with us.

Career lines and career continuums have been constructed to provide guidance in competency requirements between roles, allowing employees to be targeted in their individual development planning depending on their career aspirations.

We have a Competency Framework within Össur which allows us to identify the behaviors that drive successful performance and support our business strategy.

Our competencies are Collaboration, Communication, Driving Results, Customer Focus and Change. Regular and open feedback about performance is the foundation for development.

Learning & Development

We conduct annual performance reviews, where the past year's performance and contributions, as well as plans for the coming year are reviewed and discussed. In addition, individual development plans are created, making sure employees can develop within the organization, and this is tied to our overall strategy and goals. In 2023, 96% of all employees were engaged in performance reviews. Regular check-ins are encouraged between employees and managers to discuss performance and the development of our competencies, supported by Össur's Development Guide which lists training and development opportunities for each competency. All employees, regardless of their role or location, have access to thousands of online and virtual courses to learn and grow. All people leaders go through our LEAD program, a global leadership development program, where we identify attributes of a great leader and how to successfully lead at Össur. Participants learn through experiences, guided exercises, feedback and coaching, and peer learning. We also offer mentoring, 360° assessments, and 1:1 coaching to support development efforts and to further grow our talented employees.

Employee Engagement

At Össur we measure employee engagement at least once a year in our annual workplace survey and we are proud that engagement and employee satisfaction at Össur is high. Our employees' passion, drive, and their ability to help our customers, are our greatest assets. The annual workplace survey is facilitated by an external party, ensuring an objective and anonymous process. Managers at Össur can access an online portal with their team results and are responsible for taking action based on the results.

Occupational Health and Safety

Safety is Össur's first priority and the responsibility of everyone within the organization. Our Safety Management System focuses on Employee Safety, Operational Safety and Employee Participation. The goal is to ensure a safe and healthy workplace through an active employee awareness and training program.

Employee Safety

At Össur, we take pride in fostering a strong safety culture where we proactively work on reducing job related risks and ensure our employees are comfortable reporting any incidents. We have a Job Safety Analysis program where job related risks are proactively identified and reduced or eliminated to prevent incidents from occurring. In 2023, 189 preventive actions were implemented in this program, compared to 103 in 2022. Unfortunately, the total recordable incidents rate (per 100 employees) increased from previous year resulting in 1.6, compared to 0.8 in 2022. The target for 2023 was ≤ 1.0 . It's comforting to note that none of the incidents were severe or life-threatening. Our dedication to improving our safety culture remains steadfast. We are committed to conducting thorough investigations for each incident and working collaboratively with our employees to enhance safety awareness even further.

Various chemical products are used in the design and manufacturing of our products. One of Össur's legal obligations is to ensure employee access to Safety Data Sheets (SDS) for chemical products being used or potentially exposed to during work. Through an effective SDS system and active education, Össur strives to substitute hazardous chemical products with those that are less hazardous, to improve employee safety and reduce pollution from hazardous waste.

Operational Safety

To ensure operational safety and business continuity, fire safety audits are done quarterly in 17 locations,



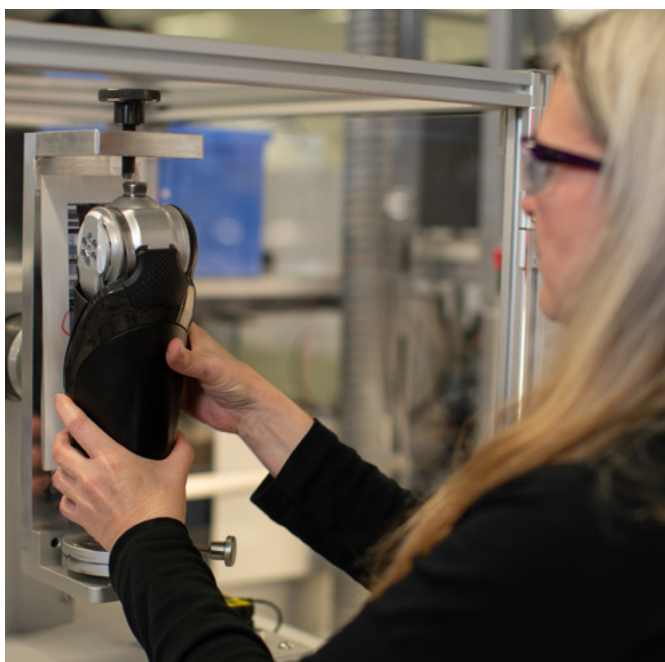
both in Össur locations and at our largest finished goods suppliers. In 2023, the fire safety audit score was 3.7 out of 4.0, meeting our target of ≥ 3.5 for 2023.

Össur has a clear emergency response procedure in place at our largest locations where all relevant employees have received appropriate training.

Employee Participation

Employee participation is fundamental in maintaining a culture of continual improvement and we encourage our employees to submit suggestions on how to improve safety in their work area. In 2023, the total number of implemented employee suggestions on workplace safety was 606, compared to 620 in 2022.

Recordable Incidents							
	2023	2022	2021	2020	2019	2018	2017
Recordable Incidents per 100 employees	1.6	0.8	0.5	0.7	0.6	1.1	1.3
Number of recordable incidents	23	13	8	14	14	23	25



Safety Policy

Safety is our first priority and part of everything we do.

Össur operates at all times in accordance with relevant health and safety standards, and all employees are committed to providing a safe and hazard-free workplace. Continuous improvement and preventive measures are the key to our safety program.

Goal 8 - Actions and Progress

	Target	2023	2022
Engagement Index	>4.0	4.03	4.01
Participants in LEAD program	100% (all new managers with direct reports)	100%	100%
Individual development plans	YoY increase	54%	56%



606

Implemented employee suggestions on improved workplace safety, compared to 620 in 2022



1.6

Recordable Incidents per 100 FTE's, compared to 0.8 in 2022



3.7 / 4.0

Score for Fire Safety audits done quarterly in 17 locations

Our Suppliers

We partner with suppliers that are committed to quality, and ethical and sustainable practices

Össur is committed to responsible social and environmental development, respecting human rights, and contributing to making a positive impact. Cooperation with suppliers is an integral part of achieving this. If issues arise, Össur engages with its suppliers and reserves the right to disqualify any potential supplier or terminate any relationship with a current supplier that does not meet our requirements.

As a medical device manufacturer Össur has had supplier controls in place for many years to ensure adherence to quality standards and safety for our users. We have also collaborated with our finished goods suppliers for years on property risk assessment and human rights. With increased focus on sustainability, Össur has added external third-party due diligence screening of all direct goods suppliers. In 2023 we launched a supplier sustainability program aiming to combine all our efforts in relation to supplier sustainability starting with focus towards environmental sustainability.

Ensuring High Quality

Össur has over 700 active direct goods suppliers, of which about 200 are considered critical in respect to quality. All approved suppliers are reviewed annually with respect to quality & delivery performance. Suppliers are then approved, approved with exemption, or not approved. If a supplier is approved with exemption, certain follow-up actions are required. If suppliers are not approved in this process, steps are taken to replace them. In 2023, three suppliers were approved with exemptions and one supplier was not approved.

Ethical and Sustainable Supply Chain

To adapt to the emerging due diligence obligations on companies, in 2021 we launched a third part due diligence

project where we screen our third parties for risks. We follow a risk-based approach in the selection of which third parties are to be screened, and we screen them for Compliance and Financial Risks. Compliance Risks includes risks related to business crimes, environmental crimes, human rights violations, sanctions, and other adverse media. Financial risks include risks related to the credit viability of a company, through information such as credit rating, profit and loss and liquidity risks.

As of January 2023, we have 652 suppliers out of all third parties screened. Low risk suppliers account for 358, medium risks at 193 and high risk at 101. All screened third parties are subject to continuous monitoring in case of change in risk status, and reassessment. High risk parties go through further enhanced due diligence with the involvement of a Compliance Officer who either rejects or accepts the risks. In 90% of the cases, these risks are accepted with further recommendation. Rejected risks are communicated with the assigned third-party owner, with the advice to further inquire on the flagged risks. The [Global Third-Party Due Diligence Policy](#) is available on our website.

In 2023, Össur had 10 finished goods suppliers in Asia. We work closely with those suppliers and visit them on a regular basis to inspect product quality and processes. In addition, Össur has partnered with TÜV to perform annual social and compliance audits.

In the past years, Össur has engaged with our biggest finished goods suppliers in Asia by hosting property risk and safety seminars, educating and training them to improve processes and risk awareness. In 2023, these suppliers were audited by a third party for property risks, and results showed good progress and material improvements compared to previous years. Össur uses the results to help suppliers make progress and develop their operations.

As part of our Supplier Sustainability program in 2023, we launched a survey on environmental sustainability with the aim of understanding our suppliers' commitment to environmental sustainability and encourage them to take responsibility for their environmental impact.

We asked 54 suppliers representing 80% of direct goods spend to participate in the survey and the response rate was 89%. The questions from the [Supplier Survey on Environmental Sustainability](#) are available on our website.

Suppliers were categorized into four groups according to their score: Unaware (0-20%), Aware (20-50%), Engaged (50-80%) and Advanced (80-100%). The results show that 15% of the suppliers are engaged or advanced, representing 11% of the emissions. The results provide valuable baseline information for Össur to allow us to monitor the supplier base progress and support our decision when choosing suppliers for future projects.

Össur has informed all the suppliers about their score and the overall results of the survey and encouraged them to take action to improve their performance. The survey will be sent annually with the aim of seeing more suppliers become engaged and advanced.

The Results of the Supplier Survey on Environmental Sustainability

	Unaware	Aware	Engaged	Advanced	No reply*
Suppliers (%)	35.2%	38.9%	13.0%	1.9%	11.1%
Emissions (%)	32.7%	46.5%	10.3%	0.3%	10.2%

* 4 suppliers did not respond and 2 did not receive the survey as Össur had terminated the business



Our Communities

We create a lasting positive impact on our communities, helping more people to live a Life Without Limitations



Össur Give Back Program

Össur has long placed emphasis on making a positive contribution to the local communities where we do business.

The Össur Give Back Program offers all employees globally, one volunteer day per year with pay to give back to their communities. We encourage our team members around the world to work with local causes and charities to make a difference.

The Give Back Program has been very well received by Össur employees who actively participate in volunteer activities in their communities.



Diverse causes and charities benefited from donated working hours in 2023, such as the following:

- Pink Ribbon fund raising initiative for The Icelandic Cancer Society (ICS)
- The Mother's Support Committee of Reykjavik, Iceland
- Sólheimar Eco-Village, Grímsnes, Iceland
- Ronald McDonald House in Southern New Jersey, USA
- The Institute for Child Cancer in Porto Alegre City, Brazil
- Habitat for Humanity, USA
- Limb Loss and Limb Difference Charity, Florida, USA
- Volunteer work at the European Para Championships in Rotterdam, The Netherlands
- West Lothian Food Bank in Livingston, UK
- Harvest Solutions Farm for the Second Harvest Food Bank of Orange County, USA
- Maria's Soup Kitchen, South Africa
- Community Food Bank of New Jersey, USA



Ramp Up Iceland

Ramp Up Iceland was originally initiated in Reykjavik in March 2021, with the goal of helping local businesses in the capital city to install wheelchair ramps to improve accessibility for people with mobility challenges. The project was very successful and quickly expanded to other towns and communities around Iceland. Össur is one of the founding members of the project, spearheaded by entrepreneur Halli Thorleifsson. The original goal of Ramp Up Iceland was to complete 1,000 ramps around Iceland by end of 2025 but the project had progressed so well that in 2022 the goal was increased to 1,500 ramps by March 2025. In December of 2023, a major milestone was reached when the 1000th ramp was built, a year ahead of the original schedule. Ramp Up Iceland is supported by the President of Iceland, Gudni Th. Jóhannesson, and the Icelandic Government.



Össur Mobility Clinics

For nearly 30 years, Össur has partnered with the Challenged Athletes Foundation (CAF) to host running and mobility clinics in the United States. Held at various locations throughout the year, these free clinics provide opportunities for people with limb loss and limb difference to learn useful techniques and gait training from elite faculty. Össur athletes and CAF mentors participate in the clinics with the goal of helping individuals move better and more confidently with their prosthesis.

Össur Mobility Clinics are also held in Australia, UK, France, South Africa, and other countries. Specialized mobility clinics focused on children and individuals participating in golf, skiing and surfing are also held throughout the year.



Ukraine Humanitarian Aid

Since the beginning of the war in Ukraine in February 2022, Össur has been providing support in the form of product donations, training and clinical expertise. Our focus has been to work directly with prosthetic clinicians and healthcare providers in Ukraine to ensure sustainable rehabilitation care in the country for the long term. In 2023, the focus has been on clinical education and more than 30 Ukrainian prosthetists, and over a dozen more healthcare specialists in various disciplines, have received training in lower limb and upper limb prosthetic solutions from Össur.

To establish relationships with the relevant Ukrainian medical professionals, Össur partnered with the non-profit organization Protez Hub in Ukraine and Prosthetika, based in the United States. Both groups have years of experience working in Ukraine and our partnership has ensured that new amputees needing limbs are matched with Ukrainian prosthetists and rehabilitation personnel who can carry out the treatment and prosthetic fittings.



Community Partnerships

Össur supports and partners with a wide range of organizations around the globe. As a leading provider of mobility solutions, it is our responsibility and privilege to champion the people we serve in every way possible. A few of the Össur's larger initiatives are:

Challenged Athletes Foundation (CAF)

The Challenged Athletes Foundation (CAF) and Össur have partnered together for nearly 30 years to ensure that individuals with limb loss and limb difference have access to innovative sports prostheses, expert coaching, and instruction on how to get the most out of their devices.

Entr'Aide

Össur partners with the Entr'Aide association in France to offer children aged 6-16 access to running blades to engage in a broad range of activities.

Iceland Sport Association for the Disabled & The National Paralympic Committee of Iceland

Össur has been a proud supporter of the Iceland Disabled Sports Association and National Paralympic Committee (NPC Iceland) for over 30 years. Together, we advocate for inclusion and participation of individuals in sports and support local athletes participating in the Paralympic Games.

International Confederation of Amputee Associations (IC2A)

Össur is a corporate member of the International Confederation of Amputee Associations (IC2A); an alliance that shares experiences, knowledge and best practice to inspire improvement in the quality of life of amputees and individuals born with limb loss and limb difference.

Jumping Kids

Össur partners with South African organization Jumping Kids which has the mission of providing access to prosthetic equipment, school and sport for children living with lower limb loss from previously disadvantaged communities.

Motivation Australia

Össur partners with Motivation Australia, an organization working to improve the lives of people with mobility challenges in the Pacific region. Össur offers financial and volunteer support to improve Prosthetic and Orthotic service provision in the region.

Protez Hub

Since the beginning of the war in February 2022, Össur

has partnered with non-profit organization Protez Hub in Ukraine and U.S. based Prosthetika, to facilitate the donation of prosthetic products to Ukrainian people who have suffered amputation due to the war. In 2023, Protez Hub also advanced the development of the professional standard "Prosthetist-Orthotist" in accordance with international standards, an important milestone needed to progress the O&P profession in Ukraine.

Team Össur

Team Össur is an accomplished group of over twenty elite international athletes and sporting role models. Team Össur includes athletes from all over the world who compete in various sporting disciplines. Many of our Team Össur athletes are world record holders and multiple medal winners. The visibility of high-performance athletes inspires everyone to follow their dreams.

Team Para Atletiek

Össur is a proud supporter of Team Para Atletiek in The Netherlands. With their motto 'Try to be better than yesterday', Team Para Atletiek works with people actively pushing their boundaries and encourages participation in sport.

The Richard Whitehead Foundation

Össur partners with The Richard Whitehead Foundation which focuses on providing support, mentoring, equipment, and opportunities to young people with disabilities who are facing physical and emotional challenges.

SoGreen

Össur partners with SoGreen, in empowering girls in developing countries through education. This contributes to the UN Sustainable Development Goal 5 on Gender Equality, and supports innovation and climate change mitigation beyond our value chain.



Political Involvement

It is Össur's policy to not actively engage in political activity or publicly support or advocate specific political parties in the communities or countries where we do business. Össur does not make financial contributions to political parties. While Össur employees may participate as individual citizens in the political process, decisions to do so are entirely personal and voluntary, and they are personally responsible for their views and actions.

Only Össur Executive Management team members or those selected by the CEO may publicly express the Össur's views on legislation, regulations, or government action. Other employees may communicate the company's views only with specific guidance from the CEO or Executive Management team members.

Public policy issues have the potential to impact Össur's business, its employees, business partners, shareholders, and the communities in which Össur operates. Össur believes that in certain cases it may be appropriate, and in Össur's best interests to contribute or pay membership fees to trade and industry associations and coalitions that are engaged in political activity. The use of any company funds for contributions to Industry Associations must be approved by the head of the relevant business unit.

Donations

Össur's strategy is to ensure that monetary donations are meaningful and benefit both the local community and Össur. Össur's donations are primarily focused on supporting people with inequalities through activities that either seek to empower the people we serve, support the local community or engage our employees. Part of Össur's donations are also in the form of our products, services or expertise. Össur does not make donations to political parties or any sort of political activities.



Social Metrics

The below reporting on social metrics is in accordance with the Nasdaq ESG guidance.

Social Metrics	Contribution to UNGC and SDGs	2023	2022	2021
S - 1 CEO Pay Ratio	UNGC: Principle 6			
1) CEO total compensation to median FTE total compensation		17.3	16.8	37
2) Does your company report this metric in regulatory filings? Yes/No		Yes	Yes	Yes
S - 2 Gender Pay Ratio	UNGC: Principle 6			
Equal pay audit*		Yes	Yes	Yes
S - 3 Employee Turnover	UNGC: Principle 6			
1) Year-over-year change for full-time employees		18%	22%	19%
2) Year-over-year change for part-time employees		n/a	n/a	n/a
3) Year-over-year change for contractors and/or consultants		n/a	n/a	n/a
S - 4 Gender Diversity	UNGC: Principle 6 SDG 5			
1) Total enterprise headcount held by men and women		M 50%/ F 50%	M 51%/ F 49%	M 53%/ F 47%
2) Entry- and mid-level positions held by men and women		M 47%/ F 53%	M 49%/ F 51%	M 52%/ F 48%
3) Senior- and executive-level positions held by men and women		M 59%/ F 41%	M 59%/ F 41%	M 64%/ F 36%
S - 5 Temporary Worker Ratio	UNGC: Principle 6			
1) Total enterprise headcount held by part-time employees		8%	9%	8%
2) Total enterprise headcount held by contractors and/or consultants		252	199	107
S - 6 Non-Discrimination	UNGC: Principle 6 SDG 16			
1) Does your company follow a sexual harassment and/or non-discrimination policy? Yes/No		Yes	Yes	Yes
S - 7 Injury Rate	SDG 8			
1) Total Recordable Incident Rate per 100 employees		1.6	0.8	0.5
S - 8 Global Health and Safety	SDG 8			
1) Does your company follow an occupational health and/or global health & safety policy? Yes/No		Yes	Yes	Yes
S - 9 Child & Forced Labor	UNGC: Principle 4, 5 SDG 16			
1) Does your company follow a child and/or forced labor policy? Yes/No		Yes	Yes	Yes
2) If yes, does your child and/or forced labor policy cover suppliers and vendors? Yes/No		Yes	Yes	Yes
S - 10 Human Rights	UNGC: Principle 1, 2 SDG 16			
1) Does your company follow a human rights policy? Yes/No		Yes	Yes	Yes
2) If yes, does your human rights policy cover suppliers and vendors? Yes/No		Yes	Yes	Yes

* Össur Iceland is audited in accordance with IST 85:2012

SUSTAINABILITY

Our Business

Our Governance Practices

Corporate Governance

Össur hf. is an Icelandic company listed on Nasdaq Copenhagen. Össur communicates with its shareholders and other stakeholders about Össur's financial and business developments in an open and honest manner. Further information is available in the Corporate Governance chapter.

**We practice sound governance
in all our activities**

Governance of Sustainability

The Executive Vice President of People, Strategy & Sustainability, and chair of the Sustainability Committee is responsible for the execution of the sustainability strategy. The Sustainability Committee evaluates and discusses the strategic priorities and progress regularly. Further information is available in the Our Sustainability Commitment chapter.

Governance of Compliance and Security

Compliance & Security is governed by the Compliance & Security Committee, reporting to the Audit Committee to ensure proper oversight, support and execution of annual Security and Compliance plans.

Össur has operations in 36 countries and distributes its products worldwide. To ensure that we conduct our business fairly and ethically, Össur rolled out a

comprehensive, three-year compliance and integrity program in 2020. Originally based on a risk assessment performed by external consultants. The program has been established with increasing maturity and scalability across different compliance areas. The compliance program is risk-based and focuses on bribery and corruption, sanctions and financial crime, competition, and antitrust risks.

The Global Compliance team is part of the Corporate Governance Office and is responsible for maintaining policies and procedures as well as awareness and training. In addition, there is a Compliance Ambassador group, consisting of employees within the People and Finance functions who can help raise awareness and support compliance and integrity activities across the business.

Our Business Integrity

We set high ethical standards and act with honesty and integrity

SDG 16: Peace, Justice and Strong Institutions

Össur is committed to responsible business practices and making a meaningful contribution to peaceful and inclusive societies. We have a zero-tolerance policy when it comes to corruption and bribery, and we respect and support the rule of law. We guide employees through our Code of Conduct and offer platforms for employees and other stakeholders to speak up and voice potential concerns. Our reporting is transparent, and we believe business ethics are fundamental for a global society to achieve sustainable development.



The Code of Conduct applies to all employees globally. In 2022, an updated version was made available in all main languages of Össur office locations and operations, followed by a combination of e-learning and physical training, resulting in 73% of all employees completing the training. In 2023, a shorter training was rolled out with a key focus on white collar employees. At year-end 74% had completed the training. It should be noted that the annual cycle of the training rolled out in 2023 is from 1 April 2023 to 31 March 2024. Therefore the training period between years is not comparable, both due to the annual cycle as well as the scope of the roll-out. In addition to the training for existing employees, new employees receive the e-learning and are asked to complete it within a set timeframe.

Code of Conduct Training



74%

of employees trained in
Code of Conduct

Ethics and Integrity

Code of Conduct

At Össur, we work in line with our Code of Conduct, based on our values – Honesty, Frugality, Courage. Sustainability is firmly anchored in our Code of Conduct. Össur has various other policies in place to give practical guidance on compliance and integrity to all employees. Össur is seeing the benefits of taking a holistic view of relevant risks and combining efforts in the broad range of compliance activities. We believe this will have a positive, long-term effect on our business, employees, environment, and societies worldwide.

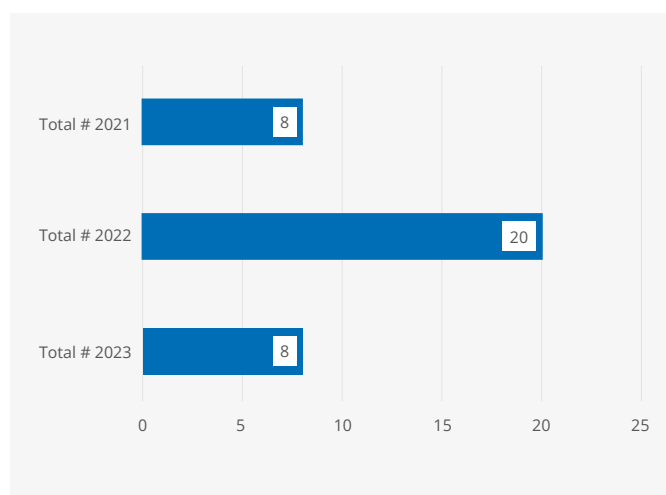


Össur Speak-Up Line

The Össur Speak-Up Line is our global whistleblower and helpline system. The Össur Speak-Up Line is hosted by an independent external party, ensuring compliance with all local regulations, the General Data Protection Regulation and other privacy regulations. It is operated and monitored by the Corporate Governance Office in line with the Speak-Up Line Policy and Investigation Management manual. Employees, who are asked to help investigate incidents reported into the Speak-Up Line, receive training on how to conduct investigations.

Everyone who reports an issue in good faith is guaranteed protection from retaliation and all reports are treated confidentially. The Össur Speak-Up Line is available 24 hours every day of the year to anyone wishing to file a report, ask a question, or make a complaint. The Speak-Up Line is open to employees, customers, and all third parties of Össur. Reports can be filed online or through any mobile browser and can be made anonymously. The Speak-Up Line is available in all languages of the countries in which Össur has operations. In 2023 a total of 8 cases were reported, thereof 4 in scope.

Total # Incidents Speak-Up Line 2021-2023



Training and Awareness

Our values - Honesty, Frugality and Courage - all reflect our commitment to conduct our business fairly and with integrity, to use company assets wisely, and to speak-up when confronted with unethical situations. As such, Össur fully subscribes to Principle 10 of the UN Global Compact: We will work against corruption in all its forms, including extortion and bribery.

Bribery and corruption are prohibited, and Össur does not authorize nor tolerate any business practice that does

not comply with our Anti-Bribery and Anti-Corruption (ABAC) Policy or law or regulation against bribery and corruption.

All Össur employees have been made aware of our ABAC policy through the Code of Conduct training. Selected groups of employees receive specific ABAC training through live training sessions.

In addition to the ABAC policy and training, Össur provides specific training on Competition and Anti-Trust, Sanctions and Anti-Money Laundering to selected groups of employees, in line with our key compliance risks.

Cybersecurity

Personal Data Protection

To be able to conduct business and provide service to customers, Össur needs to collect and handle personal data. It is Össur's priority to treat data with the utmost respect and confidentiality. Most countries have legislation in place requiring companies to handle personal data responsibly and securely.

To ensure compliance with data protection legislations, Össur has established procedures, policies and facilitated awareness training about personal data protection. The Global Data Protection Officer leads Össur's coordination for personal data protection using the European Union's General Data Protection Regulation (GDPR) and ISO 27701 as our main framework and taking into account applicable local legislation.

Information and Cybersecurity

Protecting Össur's information assets is essential to maintain Össur's operational readiness. Össur's principles for information security are confidentiality, availability, and integrity drawn from ISO 27001 Information security, cybersecurity and privacy protection standard. Össur internal implementation is supported by policies and procedures approved by the Compliance & Security Committee (CSC) and the Global Security & Privacy Director reporting to the CSC. The Össur information security framework is published on the Össur intranet, accompanied with training and awareness material. Össur is constantly monitoring for any possible breaches and cyberattacks that would trigger Össur incident response procedures. Internal audit and maturity assessment of Össur security implementation is conducted yearly and reported to the CSC and the Audit Committee.

Ethical Marketing Program

Össur markets its products and services primarily to healthcare professionals. Össur respects and understands the boundary between the expertise of the healthcare professionals and our product expertise. Össur's Gifts and Entertainment policy guides employees among other regarding interaction with healthcare professionals.

Medical Office is responsible for all clinical investigations and research activities and statements in marketing material on clinical performance and benefits of new products. Össur marketing material, which includes claims of clinical product benefits, goes through an approval process, and must be approved by Medical Office representatives before publication. Additionally, during the creation of marketing material, numerous subject matter experts and stakeholders are consulted, including clinical specialists in the Össur Academy and Global Product Managers. Össur conducts internal audits and review on regional marketing material from a brand and messaging compliance perspective. Management supports and advocates for marketing employees to follow the compliant marketing material process. Further information on Clinical Investigations is in the Our People chapter on Trials and transparency.

Additionally, Össur believes it is important to ensure that our marketing material reflects the diverse population we serve. Össur has for many years strived to change the perception of people who are differently abled. We take our responsibility seriously to promote equal opportunities amongst all groups, irrespective of age, race, national origin, gender, religion, disability, or any other protected characteristics. Marketing material, social media and other media efforts in general are a strong platform to reach out to people and therefore Össur believes it is even more important to display its commitment to diversity through its media activities.



Our Reporting Transparency

We ensure transparent reporting of our business practices

Össur's Responsibility Towards Taxation

As tax is an integrated part of business and being a sustainable and responsible taxpayer is part of our corporate social responsibility, these core values and the business integrity and transparency are guiding Össur's responsibility towards taxation.

Business Driven Tax Approach

Össur is committed to managing taxes in a responsible way. Our business structure is driven by commercial considerations, aligns with business activities and has genuine substance. As a matter of principle, we pay tax in the countries where value is created, and the economic activities occur. We do not enter in aggressive and artificial tax planning structures without commercial or operational substance and therefore we do not use tax havens (as defined in the EU List of non-cooperative jurisdictions for tax havens) for tax avoidance nor do we operate business purely for tax purposes. We apply these principles when carrying out our tax risk management for any tax planning on significant transactions and investments.

The aim is to ensure tax payments where value is created and a fair split of revenue between countries in accordance with the implemented OECD principles on transfer pricing and local requirements if these deviate from OECD standard, by applying the arm's length principle. We ensure the transfer pricing documentation complies with applicably internationally agreed and recognized principles as outlined in the OECD guidelines.

Tax Incentives

We welcome and make use of tax incentives offered in the countries we operate. Where we claim tax incentives, we seek to ensure that these are aligned with our business

and operational objectives, have sufficient economic substance for the incentive to be granted and utilize these in a manner intended by the granting authorities.

Compliance

Össur complies with both the letter and the spirit of domestic and international tax legislation applicable to our business, including annual Country-by-Country Reporting and the recently implemented OECD Global Anti-Abuse Erosion Model Rules (referred to as Pillar Two). Being part of the WDI consolidated group, the compliance and reporting on both Country-by-Country Reporting and Pillar Two is done as part of WDI. Where tax laws do not give clear guidance prudence and transparency shall be the guiding principle.

We are committed to filing all relevant taxes and making all relevant tax payments, domestic and foreign, with accuracy, good faith and on time. We reply to any enquiries from the tax authorities in a timely and open manner.

Transparency

In compliance with our Sustainability Framework, we ensure transparent reporting of our approach to tax, our annual tax payments, and our tax position, as we do for our business practices. We provide information to our different stakeholders, including investors, professional service providers, employees and the general public about our tax approach and taxes paid. Disclosures are made in accordance with relevant domestic regulations as well as applicable reporting requirements and standards.

Tax Risk Management

We manage our tax affairs in a responsible way. Tax is an integral part of the risk management process of Össur, as tax risks can have a significant financial impact. Össur monitors new legislation and regulatory developments on an ongoing basis to assess the impact on Össur.

Tax Governance

The management of Össur's tax affairs require good governance. The responsibility of the Executive Committee for our tax affairs is managed through the portfolio of the CFO. The CFO delegates the day-to-day management of our tax affairs to the Global tax team. The Global Tax team reports to the CFO on a quarterly basis and has regular meetings to discuss daily topics. The Global Tax team advises management and the business on the tax implications of decisions, performs appropriate

tax planning to support business goals, and ensures compliance with all tax laws. Advice is sought from external advisers on material transactions and whenever the necessary expertise is not in house.

The Össur Tax Policy is reviewed on an annual basis by Global Tax and is updated and approved by the Board of Directors if necessary to continuously reflect our purpose, values, regulations, internal tax standards and other relevant developments in society. The Board of Directors (and Audit Committee) approves the tax policy.

The tax policy is applicable to all Össur majority owned and/or controlled entities.

Tax Technology

Össur recognizes the importance of technology to the global tax function in order to ensure and further improve the accuracy and reliability of all its tax processes and the related tax reporting and compliance obligations, but also to make data driven decisions.

Goal 16 - Actions and Progress

	Target	2023	2022	2021
Employees trained in the Össur Code of Conduct*	>95%	74%	73%	n/a
Cases submitted to the Össur Speak-Up line	n/a	8	20	8
– Thereof Cases that are in Scope	n/a	4	16	8

* Numbers between years not comparable due to different annual cycle as well as the scope of the roll-out.



Governance Metrics

Össur's Corporate Governance reporting complies with the Danish Recommendations on Corporate Governance. The below reporting on governance metrics is in accordance with the Nasdaq ESG guidance.

Governance Metrics		Contribution to UNGC and SDGs	2023	2022	2021
G - 1 Board Diversity					
1)	Percentage: Total board seats occupied by women (as compared to men)		M 60% / F 40%	M 60% / F 40%	M 60% / F 40%
2)	Percentage: Committee chairs occupied by women (as compared to men)		M 100% / F 0%	M 100% / F 0%	M 100% / F 0%
G - 2 Board Independence					
1)	Does company prohibit CEO from serving as board chair? Yes/No		Yes	Yes	Yes
2)	Percentage: Total board seats occupied by independents		D 60% / I 40%	D 60% / I 40%	D 60% / I 40%
G - 3 Incentivized Pay					
1)	Are executives formally incentivized to perform on sustainability? Yes/No		Yes	No	No
G - 4 Collective Bargaining		UNGC: Principle 3			
1)	Total enterprise headcount covered by collective bargaining agreement(s)		29%	31%	29%
G - 5 Supplier Code of Conduct		SDG 12, 16 UNGC: Principle 1, 2			
1)	Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No		Yes	Yes	Yes
2)	If yes, what percentage of your suppliers have formally certified their compliance with the code?*		n/a	n/a	n/a
G - 6 Ethics & Anti-Corruption		UNGC: Principle 10			
1)	Does your company follow an Ethics and/or Anti-Corruption policy? Yes/No		Yes	Yes	Yes
2)	If yes, what percentage of your workforce has formally certified its compliance with the policy?***		74%	73%	n/a
G - 7 Data Privacy					
1)	Does your company follow a Data Privacy policy? Yes/No		Yes	Yes	Yes
2)	Has your company taken steps to comply with GDPR rules? Yes/No		Yes	Yes	Yes
G - 8 ESG Reporting		UNGC: Principle 8 SDG 16			
1)	Does your company publish a sustainability report? Yes/No		Yes	Yes	Yes
2)	Is sustainability data included in your regulatory filings? Yes/No		Yes	Yes	Yes
G - 9 Disclosure Practices		UNGC: Principle 8 SDG 16			
1)	Does your company provide sustainability data to sustainability reporting frameworks? Yes/No		Yes	Yes	Yes
2)	Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No		Yes	Yes	Yes
3)	Does your company set targets and report progress on the UN SDGs? Yes/No		Yes	Yes	Yes
G - 10 External Assurance		UNGC: Principle 8 SDG 16			
	Are your sustainability disclosures assured or validated by a third party? Yes/No		Yes	Yes	Partly***

* Last year we commented on new procedures to be implemented in 2023. Due to the CSRD Gap analysis implementation has been postponed to 2024.

** Numbers between years not comparable due to different annual cycle as well as the scope of the roll-out. Further detail in the Chapter on Our Business.

*** Limited Assurance by Deloitte in 2022 and 2023. For 2021 third party audits were performed on some of the data.

SUSTAINABILITY

Methods and Assurance

Scope of Reporting

Commencing from the fiscal year 2023, we are consolidating our Annual Report and Sustainability Report into a unified and comprehensive report. Össur publishes the report annually which covers the calendar year. Unless otherwise stated, the data and reporting in the performance tables covers the entire consolidation. The report constitutes as the statutory report for the Icelandic Financial Statements Act, section 66d regarding social responsibility, environmental matters, human rights and anti-corruption and bribery, and the EU Directive on disclosure of non-financial and diversity information (2014/95/EU). The report also functions as Össur's statement under Section 54 of the United Kingdom's Modern Slavery Act 2015, and the California Transparency in Supply Chains Act.

Nasdaq ESG Guidelines

Össur reports in accordance with Nasdaq ESG Reporting Guide (ESG Reporting Guide 2.0). The reporting guide has 30 ESG metrics, 10 in each category.

Contribution to the UN Global Compact and the UN Sustainable Development Goals

Reference is made to Össur's contribution to the UNGC and the SDGs in the tables found in the Our Environment, Our People and Our Business chapters.

Össur Partners With:

First Climate, a leading service provider of climate protection solutions and renewable energy, to support submission of science-based targets and CDP.



Klappir for the Company's Greenhouse Gas Accounting, which provides standardized accounting, transparency and compliance.



Greenhouse Gas Emissions Accounting

Össur follows the operational control approach in our GHG emission accounting in accordance with the Greenhouse Gas Protocol.

Össur reports on emissions from scopes 1 and 2, and from scope 3 categories 1, 2, 3, 4, 5, 6, 7, 9, 11, and 12. The data is for the calendar year 2023 but some estimations are done for December as actual data was not available before the publication of this report.

Scope 1

Stationary Combustion

Monitored in Össur's production and distribution sites in Mexico, US, UK and The Netherlands. In 2023, purchased gas was monitored in nine Össur manufacturing and distribution locations. Össur also reports on the emissions from stationary combustion of Össur-owned Patient Care clinics around the world by establishing an emission factor per employee from existing data and extrapolates to ensure completeness of data.

Mobile Combustion

Monitored for fuel consumption of owned and leased cars, and from Össur's car allowance system. This represents in total over 300 cars in Europe, Scandinavia, US, Mexico and emerging markets. Emissions are calculated from internal consumption data, available consumption data from leasing companies, and the average distance traveled per car determined by the average CO2 emissions per kilometer originating from the car's producer.

Fugitive Emissions

Össur uses a small amount of refrigerant in its operations in Iceland.

Scope 2

Purchased Electricity and District Heating

Monitored in Össur's production and distribution sites in Iceland, Mexico, US, UK and The Netherlands. The consumption of these production and distribution sites covers over 95% of Össur's energy cost. Össur also reports on the electricity consumption of Össur-owned Patient Care clinics around the world. In those instances, an emission factor per employee is established through available consumption data in Scandinavia and extrapolated to ensure completeness of data.

Scope 3

3.1 Purchased Goods and Services

Össur splits purchased goods into three groups: raw materials, outsourced finished components, and outsourced finished goods. Activity data by weight and emission factors based on industry averages are used to calculate emissions from raw materials. Spend data and emission factors on a country-basis are used to calculate emissions from outsourced finished components and goods. The data used represent 80% of Össur's spend on purchased goods and the 20% are then extrapolated for completeness of data.

Purchased services are calculated based on Össur's spend.

3.2 Capital Goods

Data on capital goods is based on Össur's spend. The data is asset based and therefore the emissions are calculated on a country-basis. Össur categorizes the capital goods into 5 categories: Buildings and sites, Machinery, equipment, automotives, Fixture and furniture, Leasehold improvements, and Computer Equipment.

3.3 Fuel- and Energy-Related Activities

All upstream emissions from the generation of energy that Össur consumes in its operations.

3.4 Upstream Transportation and Distribution

Includes transportation and distribution paid by Össur. Data is collected on weight transported, transport mode, city of origin and destination for purchased goods, inter-company shipments and finished goods distribution. The emissions are calculated on a well to wheel (WTW) basis.

3.5 Waste

Covers waste data from Össur's biggest manufacturing and distribution sites in Iceland, Mexico, US, UK and The Netherlands. Where data is not available, the emissions are extrapolated based on number of employee ratio and whether the site is a manufacturing or distribution site.

3.6 Business Travel

Data from Össur's global travel system (Egencia) that monitors emissions from air travel and trains. The data covers around 70% of booked travel and the remaining has been extrapolated to ensure completeness of emissions data. The emissions are calculated on a well to wheel (WTW) basis.

3.7 Employee Commuting

A desk study on employee commuting based on number of employees in each region globally using accessible statistics. This desk study is done once per year by updating the main data parameters and emission factors. The study is divided into five countries/regions: Europe, Iceland, North America, South America, and Asia. The data used to calculate the emissions is number of employees, number of workdays in a year, distance to and from work, regional statistics on means of transportation, and appropriate emission factors.

3.9 Downstream Transportation and Distribution

Includes transportation and distribution paid by customers. Data is collected on weight transported, transport mode, city of origin and destination for purchased goods, inter-company shipments and finished goods distribution. The emissions are calculated on a well to wheel (WTW) basis.

3.11 Use of Sold Products

Össur places a limited number of bionic products on the market that consume electricity, constituting less than 1% of the total units sold of Össur's products.

3.12 End-of-Life Treatment of Sold Products

Össur's sold products are split into products and packaging for this emission category. Össur's annual sales per unit are used to calculate the number of products and packaging placed on the market and in which country/region. Disposal statistics on packaging (plastic or paper) in each market is used to calculate emissions. Assumptions are made that all products end in landfill (weight based).



EU Taxonomy

As from 2023 Össur is obliged to disclose on Taxonomy in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council. This means reporting on the company's environmentally sustainable economic activities that support the six objectives of the regulation. In 2023, Össur is disclosing on the following Taxonomy-eligible activities:

- CE 1.2.- Manufacture of electrical and electronic equipment (bionics),
- CCM 6.5.- Transport by motorbikes, passenger cars and commercial vehicles (leasing and maintenance of electric passenger cars),
- CCM 7.2.- Renovation of existing buildings,
- CCM 7.4.- Installation of charging station for electric vehicles in buildings (and parking spaces attached to buildings),
- CCM 7.6.- Installation, maintenance and repair of renewable energy technologies (solar panels),
- CCA 8.2.- Computer programming, consultancy and related activities.

The results can be found in tables at the end of this chapter. All financial information presented come from the Össur Consolidated Financial Statement.

We are continually improving our processes of gathering and preparing sufficient data necessary for effective implementation of Taxonomy regulation. Beyond Össur's ability to present all information required by Taxonomy, we are operating responsibly and recognize the need to establish necessary technological foundation.

Taxonomy Accounting Policy - Definition and Key Performance Indicators (KPIs)

The eligible turnover KPI has been calculated as proportion of net turnover derived from sale of product and services of Taxonomy-eligible activities (numerator) divided by net sales disclosed in Consolidated Income Statement (denominator). Turnover has been calculated according to IAS 1, paragraph 82 (a). In activity 1.2. "Manufacture of electrical and electronic equipment" Clinics sales of electronic equipment which is a part of presented turnover have been estimated based on assumption adopted according to our best knowledge.

Eligible OpEx KPI has been calculated as the numerator divided by the denominator, where denominator covers

direct non-capitalized cost related to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment. Numerator has been determined as part of denominator connected to Taxonomy-eligible activities. In numerator and denominator expenditures connected to maintenance of electric cars have been included.

Eligible CapEx KPI has been calculated as numerator divided by denominator, where denominator covers additions to tangible and intangible assets during the financial year considered before depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value change and goodwill. Additions have been presented in notes 11, 12 and 14 to the Consolidated Financial Statement. Numerator has been determined as part of denominator connected to Taxonomy-eligible activities. It consists of additions to right-of-use assets (30%), leasehold improvements (45%) and internally generated software (25%).

Double Counting

Össur avoided double counting in the allocation of eligible turnover, CapEx and OpEx KPI by extracting the amounts from company financial systems and choosing activities referring to different assets, costs and turnover to ensure that they are not duplicated in KPIs and several economic activities.

Assurance

Deloitte Iceland has reviewed and provided limited assurance for the information disclosed in this report, see auditor's statement below. Social Audits on product suppliers are performed by TÜV in Hong Kong. Össur has certified Environmental and Quality Management systems which are audited by BSI (British Standards Institution). In addition, BSI audits Össur Iceland in accordance with the Equal Pay Certification standard. For environmental data Össur has partnered with Klappir for our Greenhouse Gas Accounting, which provides standardized accounting, transparency, and compliance.

Turnover

Substantial contribution criteria									DNSH (Do No Significant Harm)														
Economic activities	Codes	Absolute turnover in USD '000	Proportion of turnover (%)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimal safeguards	Taxonomy-aligned proportion of turnover, year 2022 (%)	Category (enabling activity) (E)	Category (transitional activity) (T)				
A. TAXONOMY-ELIGIBLE ACTIVITIES																							
A.1. Environmentally sustainable activities (Taxonomy-aligned)																							
-		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A					
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A					
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	E				
Of which transitional		0	0%							N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		T				
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy- aligned)																							
				EL- eligible N/EL- non- eligible	EL- eligible N/EL- non- eligible	EL- eligible N/EL- non- eligible	EL- eligible N/EL- non- eligible	EL- eligible N/EL- non- eligible	EL- eligible N/EL- non- eligible														
Manufacture of electrical and electronic equipment	1.2. CE	87,897	11.19%				EL													N/A			
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		87,897	11.19%				11.19%													N/A			
Total (A.1 + A.2)		87,897	11.19%	0%	0%	0%	11.19%	0%	0%											N/A			
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																							
Turnover of Taxonomy non-eligible activities (B)		697,786	88.81%																				
Total (A + B)		785,683	100%																				

CapEx

Substantial contribution criteria										DNSH (Do No Significant Harm)									
Economic activities	Codes	CapEx	Proportion	Climate	Climate	Water and	Circular	Pollution	Biodiversity and ecosystems	Climate	Climate	Water and	Circular	Pollution	Biodiversity and ecosystems	Minimal safe-guards	Taxonomy-aligned	Category (enabling activity) (E)	Category (transitional activity) (T)
		in USD '000	of CapEx (%)	change mitigation	change adaptation	marine resources				change mitigation	change adaptation	marine resources					proportion of CapEx, year 2022 (%)		
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
-		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		E
Of which transitional		0	0%	0%						N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy- aligned)																			
				EL- eligible N/EL- non-eligible	EL- eligible N/EL- non-eligible	EL- eligible N/EL- non-eligible	EL- eligible N/EL- non-eligible	EL- eligible N/EL- non-eligible	EL- eligible N/EL- non-eligible										
Renovation of existing buildings	7.2. CCM	25,901	43.61%	EL															
Computer programming, consultancy and related activities	8.2. CCA	8,624	14.52%		EL														
Transport by motorbikes, passenger cars and commercial vehicles	6.5. CCM	359	0.60%	EL															
Installation, maintenance and repair of renewable energy technologies	7.6. CCM	84	0.14%	EL															
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4. CCM	16	0.03%	EL															
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		34,983	58.91%	44.39%	14.52%														
Total (A.1 + A.2)		34,983	58.91%	44.39%	14.52%	0%	0%	0%	0%										
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy non-eligible activities (B)		24,405	41.09%																
Total (A + B)		59,388	100%																

OpEx

Substantial contribution criteria										DNSH (Do No Significant Harm)										
Economic activities	Codes USD '000	Proportion of OpEx	Climate change	Climate change	Water and marine	Circular economy	Pollution	Biodiversity and ecosystems	Climate change	Climate change	Water and marine	Circular economy	Pollution	Biodiversity and ecosystems	Minimal safe-guards	Taxonomy-aligned proportion of OpEx, year 2022 (%)	Category (enabling activity) (E)	Category (transitional activity) (T)		
		OpEx in Codes USD '000	(%)	mitigation	adaptation	resources			mitigation	adaptation	resources									
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
-	0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)	0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Of which enabling	0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	E		
Of which transitional	0	0%	0%						N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	T		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy- aligned)																				
			EL- eligible N/EL- non- eligible	EL- eligible N/EL- non- eligible	EL- eligible N/EL- non- eligible	EL- eligible N/EL- non- eligible	EL- eligible N/EL- non- eligible	EL- eligible N/EL- non- eligible												
Transport by motorbikes, passenger cars and commercial vehicles	6.5. CCM	80	0.12%	EL													N/A			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		80	0.12%	0.12%	0%	0%	0%	0%									N/A			
Total (A.1 + A.2)		80	0.12%	0.12%	0%	0%	0%	0%									N/A			
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy non-eligible activities (B)	64,625	99.88%																		
Total (A + B)	64,705	100.00%																		
			Proportion of turnover / Total turnover						Proportion of CapEx / Total CapEx						Proportion of OpEx / Total OpEx					
			Objective	Taxonomy-aligned per objective	Taxonomy-eligible per objective				Objective	Taxonomy-aligned per objective	Taxonomy-eligible per objective				Objective	Taxonomy-aligned per objective	Taxonomy-eligible per objective			
			CCM		0.00%	0.00%			CCM		0.00%	44.39%			CCM		0.00%	0.12%		
			CCA		0.00%	0.00%			CCA		0.00%	14.52%			CCA		0.00%	0.00%		
			WTM		0.00%	0.00%			WTM		0.00%	0.00%			WTM		0.00%	0.00%		
			CE		0.00%	11.19%			CE		0.00%	0.00%			CE		0.00%	0.00%		
			PPC		0.00%	0.00%			PPC		0.00%	0.00%			PPC		0.00%	0.00%		
			BIO		0.00%	0.00%			BIO		0.00%	0.00%			BIO		0.00%	0.00%		

Independent Auditor's Assurance Report

To the Management and the Stakeholders of Össur

We have been engaged by Össur to provide limited assurance on selected non-financial information disclosed in Össur's Sustainability chapter in the Annual report for the year 2023.

Our engagement was performed to:

- Access whether the following ESG Metrics disclosed for the year 2023 are in accordance with Nasdaq ESG reporting guide 2.0;
 - Environmental Metrics E-1 to E-10 on page 59-60
 - Social Metrics S-1 to S-10 on page 82
 - Governance Metrics G-1 to G10 on page 89
- Review underlying data processes;
- Assess whether overall text in the Sustainability chapter on page 44-96 in the Annual report for the year 2023 is in accordance with disclosed indicators

Our opinion does not cover other information in Össur's Annual report.

We express a conclusion providing limited assurance.

Management's Responsibility

The Management of Össur is responsible for collecting, analysing, aggregating, and presenting the information in the Sustainability chapter within the Annual report, ensuring that the information is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants (IESBA Code), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

Deloitte ehf. is subject to International Standard on Quality Management (ISQM) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Auditor's Responsibility

Our responsibility is to express a limited assurance conclusion on the ESG Metrics for the year 2023 on page 59-60, 82 and 89 and non-financial information presented in the Sustainability chapter on page 44-96 in the Annual report. We have conducted our work in accordance with ISAE 3000 (revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, to obtain limited assurance about our conclusion. In accordance with the standard, we have planned and performed our work to obtain limited assurance about whether the disclosed ESG Metrics and non-financial information is free from material misstatement.

A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion.

We performed reviews of data, recalculation of data, reviews of the underlying data processes as well as interviews with those responsible for producing the data. Our work has included interviews with key functions in Össur, inquiries regarding procedures and methods to ensure that selected indicators and non-financial information have been incorporated in accordance with the guidelines in Nasdaq ESG reporting guide 2.0. We have assessed processes, tools, systems, and controls for gathering, consolidating and aggregating non-financial data at Össur, and performed analytical review procedures and tested data prepared against underlying documentation. Furthermore, we have evaluated the overall presentation of Össur's Sustainability chapter in the Annual report for the year 2023, including the consistency of information.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Össur's ESG reporting and non-financial information for the year ended 31.12.2023 is not prepared, in all material respects, in accordance with Nasdaq ESG reporting guide 2.0 and that the overall text in the Sustainability chapter within the Annual report is in accordance with disclosed indicators.

Kópavogi, 30 January 2024



Birna María Sigurðardóttir

State-Authorised Public Accountant

Deloitte.

GOVERNANCE

Shareholder Information

Össur is a large cap company that has been listed on the Nasdaq Copenhagen since 2009 and prior to that on Nasdaq Iceland since 1999.

At year-end 2023, the share capital of Össur was 421,000,000 nominal value, divided into the same number of shares. There is only one class of shares, and all shares carry one vote, besides treasury shares that do not carry voting rights. It should be noted that Össur issued new shares on January 16th 2024 in connection with the acquisition of FIOR & GENTZ, thereby bringing the total share capital to ISK 427,636,122 nominal value. The share capital increase was registered with the Icelandic Register of Enterprises on 24 January 2024 and were admitted to trading on Nasdaq Copenhagen with effect from 26 January 2024.

Key Information Table



Market

CPH (DKK)



ISIN

IS00000000040



Ticker

OSSR



Industry

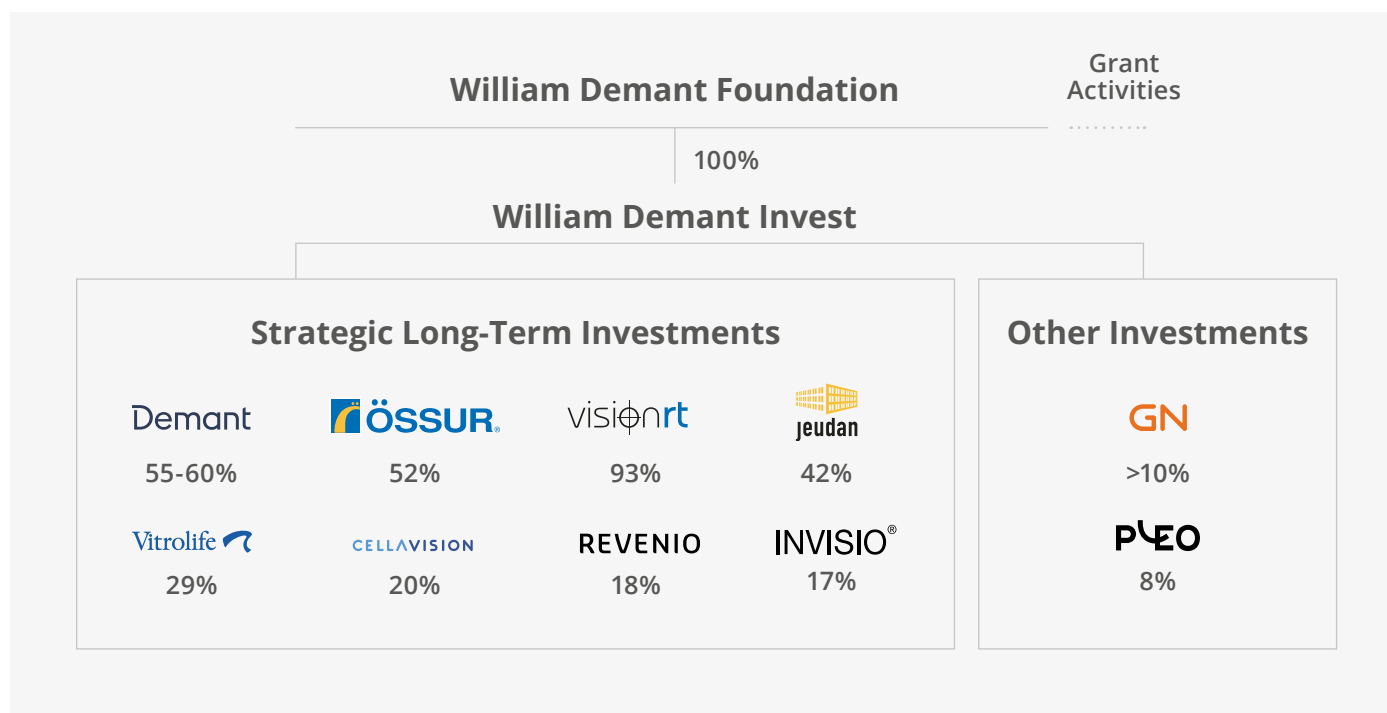
Healthcare



No. of Shares

421,000,000

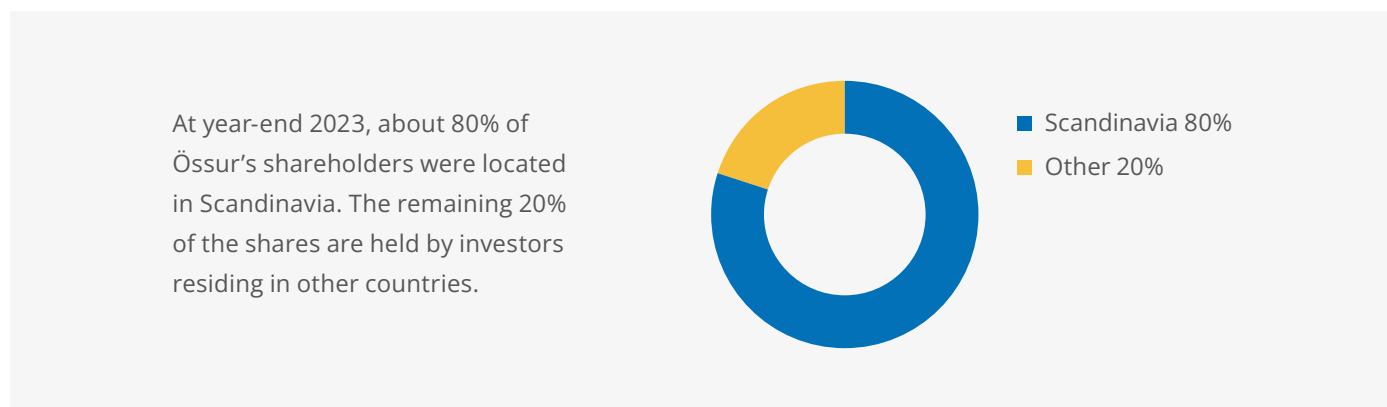
Ownership Structure



Össur's largest shareholder is William Demant Invest A/S (WDI) which held 52% of the total shares and 52% of the voting rights at year-end 2023. WDI has been a shareholder in Össur since 2004. In an announcement from WDI on 4 January 2018, when their ownership in Össur crossed the 50% threshold, it was stated that the intention was to hold 50-60% of Össur's shares going forward. Apart from Össur, the fund's investment activities include holdings in Demant, a leading provider of hearing aids, as well as Vision RT, Vitrolife, CellaVision, Revenio, Jeudan, INVISIO, GN Store Nord and Pleo. At year end 2023, the following shareholders had announced holdings above 5% to the company.

Major Shareholders			
Investor	Type	Country	Threshold crossed
William Demant Invest	Investment Fund	Denmark	50%
Inter Long Term Capital S.A.	Investment Fund	Luxembourg	10%
ATP	Pension Fund	Denmark	5%
Lífeyrissjóður verzlunarmanna	Pension Fund	Iceland	5%

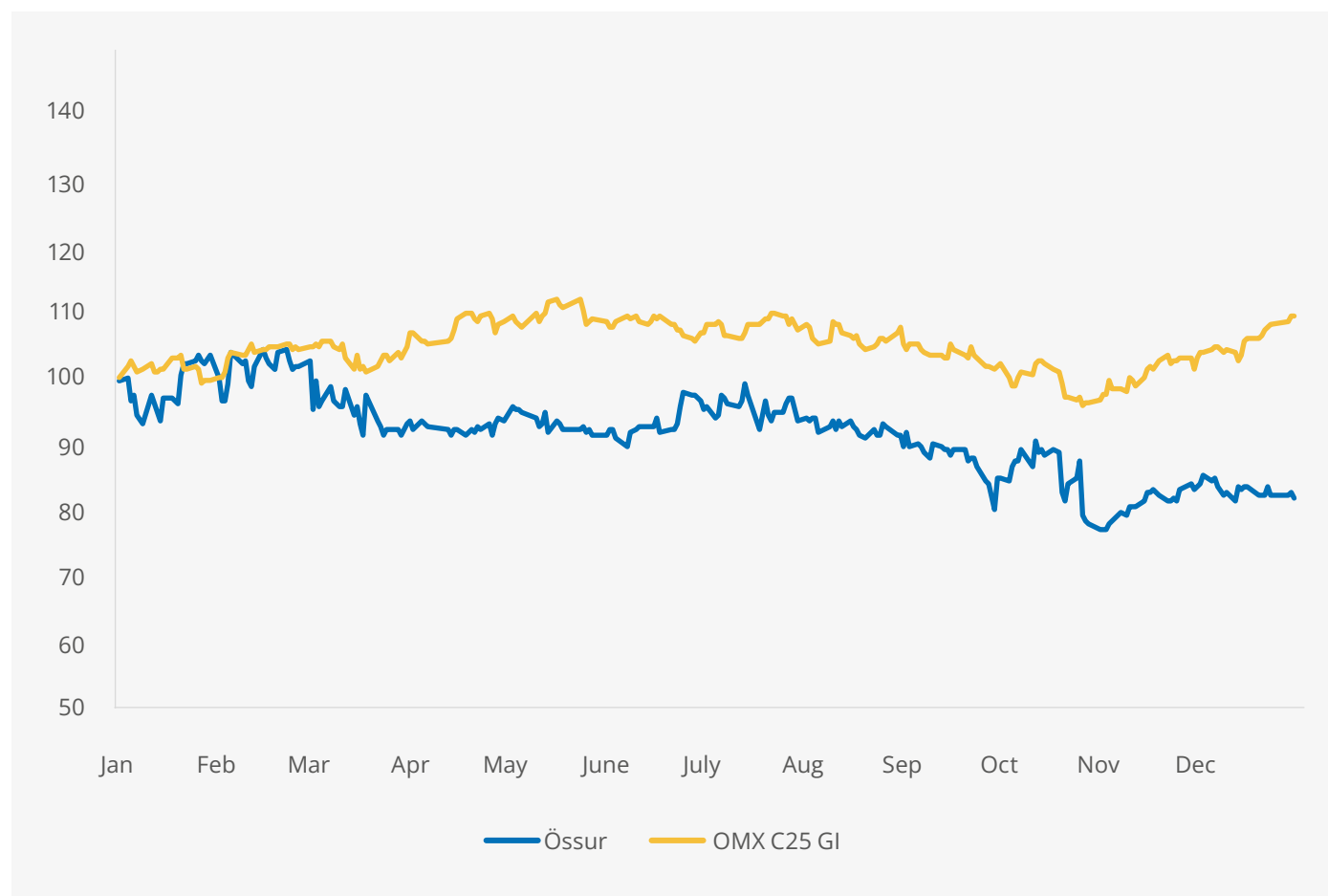
Shareholders



Share Performance

Össur's share price decreased by 18% in 2023, from DKK 33.6 per share at year-end 2022 to DKK 27.5 per share at year-end 2023. Össur's market capitalization was DKK 11.6 billion (USD 1.7 billion) at year-end 2023 compared to DKK 14.2 billion (USD 2.0 billion) at year-end 2022.

Share Performance (Indexed)



Capital Allocation

With emphasis on growth opportunities, value-adding investment opportunities and acquisitions, Össur decided to discontinue dividend payments in 2022 and instead focus on returning excess capital to shareholders via purchase of own shares. This is in accordance with Össur's Capital Structure and Capital Allocation Policy approved by the Board of Directors in 2022.

Össur temporarily paused its share buyback program as of 25 October 2022 as the net interest-bearing debt to EBITDA corresponded to 2.8x at the end of Q3 2022, at the upper end of the target range of 2.0 - 3.0x NIBD/EBITDA. The net interest-bearing debt to EBITDA remained in the upper end

of the target range at the end of 2023 and therefore the program remained temporarily paused. The purpose of the share buyback program is to adjust the capital structure in line with the desired level of net debt to EBITDA.

At year-end 2023, treasury shares totaled 701,647.

Since 2013, when Össur started returning capital to shareholders, we have paid out total of 245 million USD.

Annual General Meeting

Össur's AGM will be held on 13 March 2024. The meeting is convened with at least three weeks' notice. The AGM results are sent to the news system of Nasdaq immediately following the meeting and are also made available on [Össur's website](#).

Financial Calendar

Q1 2024

Annual General Meeting

13 March 2024

Interim Report Q1

23 April 2024

Q2 2024

Interim Report Q2

23 July 2024

Q3 2024

Interim Report Q3

22 October 2024

Q4 2024

Interim Report Q4 and

Annual Report 2024

5 February 2025

Annual General
Meeting 2025

12 March 2025

Investor Relations

Össur's policy is to disclose financial and corporate information to provide investors, analysts, and other stakeholders with comprehensive and accurate information to help them understand Össur's current and expected developments. Six sell-side equity analysts currently cover Össur.

Financial reports, announcements, presentations, the financial calendar, upcoming events, share information, and other information is available on [our website](#).

Contact Investor Relations

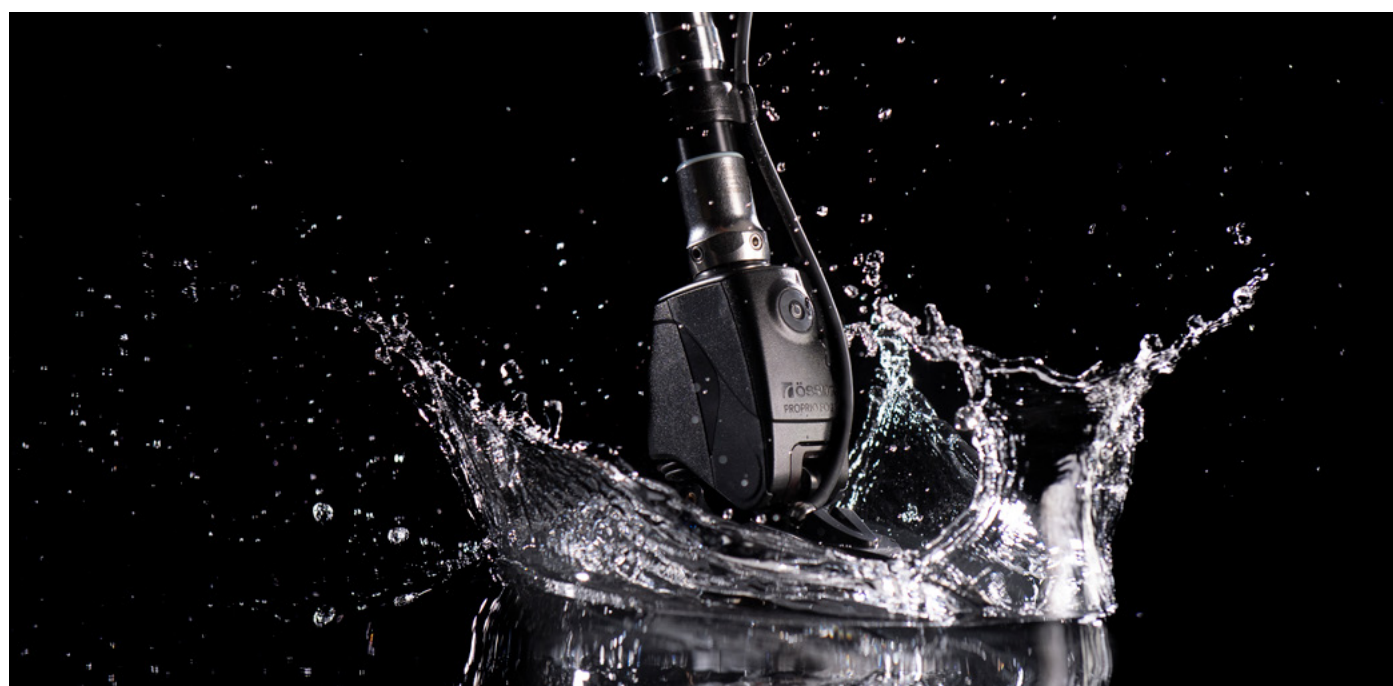


David Hreidarsson

VP of Investor Relations

E-mail: IR@ossur.com

Tel.: +354 661 8225



GOVERNANCE

Corporate Governance



Organizational Structure

According to the Articles of Association, Össur is managed by Shareholders' Meetings, the Board of Directors (the Board), and the Chief Executive Officer (CEO). Their roles and responsibilities are described below.

Shareholders' Meetings

The supreme authority in Össur's affairs is in the hands of lawful Shareholders' Meetings, within the limits provided for in the Articles of Association and law.

Resolutions at Shareholders' Meetings generally require a simple majority. However, resolutions to amend the Articles of Association generally require two-thirds of the votes cast and capital represented.

[Minutes of Shareholder's Meetings](#) are available on our website.

At each Annual General Meeting the shareholders:

- Confirm the consolidated financial statements and decide on the distribution of the net profit.
- Approve the Remuneration Policy.
- Decide on the remuneration for the Board of Directors.
- Elect the Board of Directors.
- Elect an auditor.

Other resolutions are made on an ad-hoc basis, such as:

- Amendments to the Articles of Association.
 - Capital reductions.
 - Authorizations for the Board of Directors to increase the share capital.
- Authorizations to the Board of Directors.
 - Purchase own shares.
 - Initiate share buyback programs.

Board of Directors

The Board of Directors is the supreme authority in Össur's affairs between Shareholders' Meetings. The Board shall operate in accordance with the Articles of Association and the Board's Rules of Procedure.

The Board of Directors' work, role and responsibilities are further described in the Board's Rules of Procedure, which are reviewed annually by the Board and updated as necessary.

[The Board's Rules of Procedure](#) are available on our website.

The Board has various roles and responsibilities

- Establish goals for Össur and formulate the policy and strategy to achieve those goals.
- Hire a CEO to manage the daily operations, supervise activities and ensure that Össur's organization and operations are in proper order.
- Ensure adequate surveillance of the accounting and financial management.
- Evaluate the capital structure.
- Evaluate the performance of the Board and the CEO.

The Board of Directors' Annual Schedule

Quarter 1

January Meeting

- Full-year results
- Corporate Governance Statement
- Capital Structure and Capital Allocation Policy
- Agenda for the Annual General Meeting

Annual General Meeting

March Meeting

- Election of Chairman and Vice Chairman
- Appointment of the Audit Committee
- Review of Internal Rules

Quarter 2

April Meeting

- Quarterly results

Quarter 3

July Meeting

- Half-year results

September Meeting

- Strategy

Quarter 4

October Meeting

- Quarterly results

December Meeting

- Strategy and forecast
- Performance evaluation

The Board of Directors is composed of five members, all elected by the shareholders at the Annual General Meeting for a term of one year. The Board shall be represented by at least 40% of each gender. Currently, there are three men and two women on the Board. All Board members, except one, have served for several years, which ensures consistency and good insights into Össur's business and markets. Two of the Board Members are considered independent in accordance with the Danish Recommendations on Corporate Governance.

The Chairman and the Vice Chairman of the Board of Directors are elected each year following the Annual General Meeting. The Chairman's main responsibility is to ensure that the Board performs its duties in an orderly and efficient manner. In the absence of the Chairman, the Vice Chairman performs his duties. Niels Jacobsen has served as the Chairman since 2006 and Svafa Grönfeldt as the Vice Chairman since 2021.

Further information on the [Board of Directors](#) is available on our website.

Board Meetings

Board Member	Independent	Nationality	Gender	Board Tenure	Board Meetings Attended
Niels Jacobsen, Chairman	No	Danish	Male	18 years	● ● ● ● ● ● ● ●
Dr. Svafa Grönfeldt, Vice Chairman	No	Icelandic	Female	15 years	● ● ● ● ● ● ● ●
Arne Boye Nielsen	No	Danish	Male	14 years	● ● ● ● ● ● ● ●
Dr. Alberto Esquenazi	Yes	American	Male	3 years	● ● ● ● ● ● ● ●
Gudbjörg Edda Eggertsdóttir	Yes	Icelandic	Female	10 years	● ● ● ● ● ● ● ●

Audit Committee

The Audit Committee's main objective is to ensure a competent and independent audit of Össur and supervise the internal control system and risk management. The Audit Committee's responsibilities are further described in the Audit Committee's Terms of Reference, which are reviewed annually by the Board of Directors and updated as necessary. The [Audit Committee's Terms of Reference](#) are available on our website.

The Audit Committee is composed of three Board members. The majority of the Audit Committee shall be independent of Össur, the CEO and the Auditor.

Audit Committee members shall possess the knowledge and expertise needed to perform the tasks of the Audit Committee. At least one Audit Committee member shall have solid knowledge and experience in the field of financial statements or auditing. Arne Boye Nielsen has served as the Chairman of the Audit Committee since 2012.

Further information on the [Audit Committee](#) is available on our website.

The Audit Committee has various roles and responsibilities

- Ensure a competent and independent audit.
- Submit proposals to the Board on the nomination of an auditor candidate at the Annual General Meeting.
- Submit proposals to the Board on an agreement with the Auditor, containing e.g. provisions on the audit fees as well as the general scope of the Auditor's non-audit services.
- Monitor and evaluate the Auditor's work, including the audit of the consolidated financial statements.
- Monitor the preparation of financial statements and report to the Board on significant accounting policies, significant accounting estimates, related party transactions and uncertainties and risks, including in relation to the outlook, prior to the Board's approval of financial statements.
- Monitor and assess Össur's internal control systems and its enterprise risk management and perform other related tasks and duties.
- Assess the need for an internal audit function taking into consideration the scale and complexity of Össur's activities, risk factors and cost / benefit considerations.



The Audit Committee's Annual Schedule

Quarter 1

January Meeting

- Audit report (presented by the Auditors)
- Review of Q4 and full year results
- Proposal to the Board on auditors
- Compliance & Security update
- Internal Control update

Quarter 2

April Meeting

- Election of Chairman
- Review of Q1 results
- Related party transactions
- Compliance & Security update
- Internal Control update
- Status of entities integration and systems implementation

Quarter 3

July Meeting

- Audit plan and fees for the coming year (presented by the Auditors)
- Review of Q2 results
- Related party transactions
- Compliance & Security update
- Internal Control update
- Report on external lending

Quarter 4

October Meeting

- Review of Q3 results
- Related party transactions
- Compliance & Security update
- Internal Control update
- Status of entities integration and systems implementation

December Meeting

- Meeting with the Auditors (including private session)
- Report on internal controls and enterprise risk management
- Assessment of the need for an internal audit

Audit Committee Meetings

Audit Committee Member	Meetings Attended
Arne Boye Nielsen, Chairman	● ● ● ● ●
Dr. Alberto Esquenazi	● ● ● ● ●
Gudbjörg Edda Eggertsdóttir	● ● ● ● ●

Nomination Committee

A Nomination Committee was established in 2022. The Nomination Committee's main objective is to prepare recommendations to the Board in relation to the composition, development, and succession of the Board. The Nomination Committee's responsibilities are further described in the Nomination Committee's Terms of Reference, which are reviewed annually by the Board of Directors and updated as necessary. The [Nomination Committee's Terms of Reference](#) are available on our website.

The Nomination Committee is composed of the Chairman of the Board and the Chairman of the Audit Committee.

Remuneration Committee

A Remuneration Committee was established in 2022. The Remuneration Committee's main objective is to prepare recommendations to the Board in relation to the remuneration policy and remuneration for the Board, the CEO, and the Executive Management. The Remuneration Committee's responsibilities are further described in the Remuneration Committee's Terms of Reference, which are reviewed annually by the Board of Directors and updated as necessary. The [Remuneration Committee's Terms of Reference](#) are available on our website.

The Remuneration Committee is composed of the Chairman of the Board and the Chairman of the Audit Committee.

Board Performance Evaluation

The Board of Directors conducts a performance evaluation each year. The Chairman oversees the evaluation process and proposes actions to be taken, if any. The Chairman seeks external assistance at least every three years.

The Board performance evaluation for 2023 was carried out with external assistance and discussed by the Board in December 2023.

The following categories were assessed:

- Financial Responsibility and Risk Management
- Strategy
- Organizational Themes
- The Executive Management Team's Performance and Collaboration with the Board
- Board Roles, Responsibility and Collaboration
- Board Meetings
- Board Information
- Board Collaboration, including the Chairman's performance
- The Board Team and the Board Committees
- Main Focus Areas for the Board, including actual prioritization and GAP analysis
- Competences in the Board

The conclusion of the performance evaluation for 2023 was that the Board performs at a high level and contributes to Össur's growth and value creation. It is the Board's assessment that the Chairman is the right chairperson for the Board.

Chief Executive Officer

The CEO is responsible for Össur's daily operations and is obliged to follow the Board of Directors' policy and directions, within the limits provided for by the Articles of Association and law. The daily operations do not include measures that are unusual or extraordinary, which may generally only be taken if specially authorized by the Board. The CEO is not a Board member, but shall attend Board Meetings and has the right to participate in discussions and put forward proposals, unless otherwise decided by the Board in specific instances.

The Board of Directors evaluates the CEO's performance each year. Subsequently, the Chairman of the Board and the CEO have a meeting to discuss the results of the evaluation and the actions to be taken, if any.

Executive Management

Össur also has a wider Executive Management consisting of the CEO, the CFO and Executive Vice Presidents. The Executive Management generally meets every week and collectively prepares and implements Össur's strategic plans. The CEO is responsible for the work and results of the Executive Management.

The CEO evaluates the performance of other members of the Executive Management each year and discusses the results of the evaluation with each member and the actions to be taken, if any.

Further information on the [Executive Management](#) is available on our website.



Remuneration of the Board of Directors and the Executive Management

At Össur's Annual General Meeting on 10 March 2023, the shareholders approved a Remuneration Policy, which applies to the Board of Directors, the CEO and other members of the Executive Management. The Remuneration Policy was prepared by the Remuneration Committee and approved by the Board of Directors without any amendments. [The Remuneration Policy](#) is available on our website.

Information on the remuneration of the Board of Directors, the CEO and other members of the Executive Management can be found in the [Remuneration Report](#), available on our website.

Recommendations on Corporate Governance

Össur follows the Danish Recommendations on Corporate Governance issued on 2 December 2020 by the Danish Committee on Corporate Governance, which are available on the [Committee's website](#). The Recommendations are the best practice guidelines for companies admitted to trading on a regulated market in Denmark.

Each year, the Board of Directors evaluates and decides to what extent Össur should comply with the Recommendations and consequently, whether relevant rules, policies and processes should be adopted or updated.

In general, the Board of Directors shares the Committee's views on corporate governance and, accordingly, Össur complies with most of the recommendations. In the few cases where Össur deviates from the Recommendations, the "comply or explain" principle is applied, and well-founded explanations are provided on why the relevant recommendation is not considered appropriate or desirable for Össur.

Össur's Corporate Governance Report is approved by the Board of Directors. The Report includes both the statutory statement on corporate governance as well as comments and information on each item in the Recommendations. The [Corporate Governance Report](#) is available on our website.



GOVERNANCE

Risk Management

Key Risks

An investment in Össur involves various risks as the business, financial conditions, and operational results rest upon certain assumptions and could be negatively affected if any of the factors described in this chapter occur. Even though the long-term prospects and underlying fundamental drivers of our markets are not expected to change, Össur highlights four key risks which are currently considered the most relevant. In addition to these risks, Össur faces a range of other risks described below.

Össur cannot ensure that the given assumptions for the description of any of these risks are correct. Additional risks and uncertainties, as well as risks that Össur currently deems immaterial or are not presently known to us, may adversely affect our business, financial conditions, and operational results.

I. Reimbursement Landscape

Description

Most of Össur's products and services are reimbursed by third-party payers, including both government healthcare programs and private health insurance plans. Third-party payers continue to develop methods of controlling healthcare costs, including reviews of claims, selective contracting, and competitive bidding. Our business depends on understanding and adapting to reimbursement and insurance plans in all markets where we conduct our business.

Potential Impact

These cost-control methods may limit or even eliminate the coverage and the amount of payment for which third-party payers may be willing to pay for Össur products and services. As a result, customers may reduce or eliminate purchases and sales may decline significantly. Reviews of claims may lead to repayment of prior sales. Finally, failing to understand and adapt to changes in reimbursement systems, may affect Össur's license to operate and thus affect our sales.

Mitigative Actions

Össur only brings products and services to the market that address medical indications, and which are clinically validated. In addition, we apply our reimbursement knowledge from the earliest stages of product development to the post-sale education of customers. Finally, we monitor and analyze changes to the reimbursement landscape in the markets where we operate and adapt our reimbursement strategy accordingly.

II. Regulatory Requirements

Description

Össur's products and services are subject to global and local regulations. Such regulations can restrict practically all aspects of a medical device's design and testing, manufacturing, safety, labeling, storage, record-keeping, reporting, clearance and approval, promotion, distribution, and services. In our interactions with government officials, healthcare professionals, and business partners, we must comply with relevant third-party regulatory requirements. Finally, our footprint is growing in new emerging markets which are characterized by complex regulations, business volatility and unpredictability.

Potential Impact

Failure to comply with the regulatory requirements of the applicable authority may subject Össur to fines, penalties, sanctions, or product withdrawals. If we would fail to receive regulatory clearance and approval for our products and services it could adversely affect our sales and potential for future growth, threaten our license to operate in the respective market, and affect our brand and reputation.

Mitigative Actions

Össur maintains a robust global quality system that complies with international medical device standards, and which forms an intrinsic part of internal processes. Össur also has a global regulatory compliance program, including a Code of Conduct, in which our employees identify, assess, manage, and report potential risks from international and local regulations in the countries where we market and sell our products and services. Finally, tracking and analyzing regulatory requirements of new markets forms a part of our market access strategy.

III. New Technologies

Description

Össur operates in markets that are characterized by rapid technological change, driven by extensive research that is conducted by market participants. Technological innovation takes place at various stages in our value chain and may include individual components, design, and functionalities of our products and services.

Potential Impact

The development by suppliers or competitors of substitute products or components that better satisfy market demands could have a material adverse effect on Össur's business and results of operations. A failure to develop new products or enhance existing products could also have a material adverse effect on our operations and potential for future growth.

Mitigative Actions

Össur's significant investment in research and development and constant strive to finding innovative technologies, has resulted in a vast IP portfolio and a strong position to compete with potential new entries. External connections with universities, research institutes and investors, provide us with the opportunity to stay informed and review emerging innovation as part of acquisitions or research cooperation initiatives.

IV. Industry Consolidation and Forward Integration

Description

Major shifts in Össur's marketplace include the consolidation of orthotics and prosthetics (O&P) manufacturers and forward integration, which involves acquiring service providers in the O&P industry. It remains uncertain to what degree we will be able to participate in manufacturer consolidation and/or forward integration and how it will affect our operations. Industry consolidation and forward integration can lead to increased challenges and complexity and our success depends in part on our ability to effectively operate in this changing marketplace.

Potential Impact

The consolidation has been a material contributor to the external growth of Össur in the past. If we were not to participate in further consolidation or forward integration, it might limit our potential for future growth. In addition, these market trends may impact the competitive landscape of the industries and the associated market shares. Finally, these changes in the marketplace may impact our customers, CPOs and patients, and interactions with them.

Mitigative Actions

It is at the core of our strategy to operate effectively in this changing marketplace. Össur continuously reviews value enhancing acquisitions and investment opportunities in our business segments and keeps a good relationship with the relevant stakeholders in the industry. We operate our own clinics in certain regions and have partnership programs in place with healthcare providers to offer customers quality products and services in the interest of our end-users.

Other Risks

In addition to the key risks, Össur is exposed to other risks that can potentially impact our business. Other material and relevant risks are presented below.

IT systems are integral to Össur's operations

Össur employs the ISO 27001 standard for its information security governance and risk management framework. Through a risk assessment, critical systems vital for business operations were identified, including ERP, warehouse, communication, and email systems with underlying infrastructure. Failure in these systems could severely impact order processing, deliveries, and manufacturing. To enhance business continuity, Össur transitioned from on-premises datacenters to a global cloud environment hosted by Microsoft, following a cloud-first strategy for new applications.

Cybersecurity threats are an escalating concern for businesses across diverse industries. In Össur, where our day-to-day operations heavily depend on technology and IT infrastructure, a cyber-attack or downtime in our IT systems could have severe consequences for our business, impacting both operations and financial stability.

Össur relies on specific critical product suppliers and certain raw materials

Össur relies on suppliers for component manufacturing. Any failure to deliver raw materials could thereby adversely impact financial results. To mitigate this risk, Össur conducts regular audits of critical suppliers, maintains safety stock, and carefully selects and onboards suppliers for crucial raw materials.

Össur must attract, retain, and actively engage skilled and competent personnel

Össur continuously works to attract and retain skilled employees to sustain innovative success, recognizing that failure in this aspect poses a risk. Therefore, Össur prioritizes employee engagement, development, and explores creative collaboration for health, safety, and morale.

Össur is exposed to financing risks and instability within financial markets

As a global business, Össur is exposed to various risk factors originating in the international financial markets, among which are liquidity risk, interest rate risk, foreign exchange risk, credit risk and counterparty risk on cash held with financial institutions. These risk factors are managed according to internal rules that are outlined in Össur's treasury policy.

Össur is exposed to fluctuations in major operational currencies

Össur's functional and reporting currency is the US dollar, hence fluctuations in local currencies can have an impact on the operations of Össur. Fluctuation in the exchange rates between the US dollar, Euro, Icelandic krona, and other currencies where Össur operates can have a significant impact on the financial condition and results of Össur's operations.

Össur's financing and tax structure are subject to laws and governmental approvals

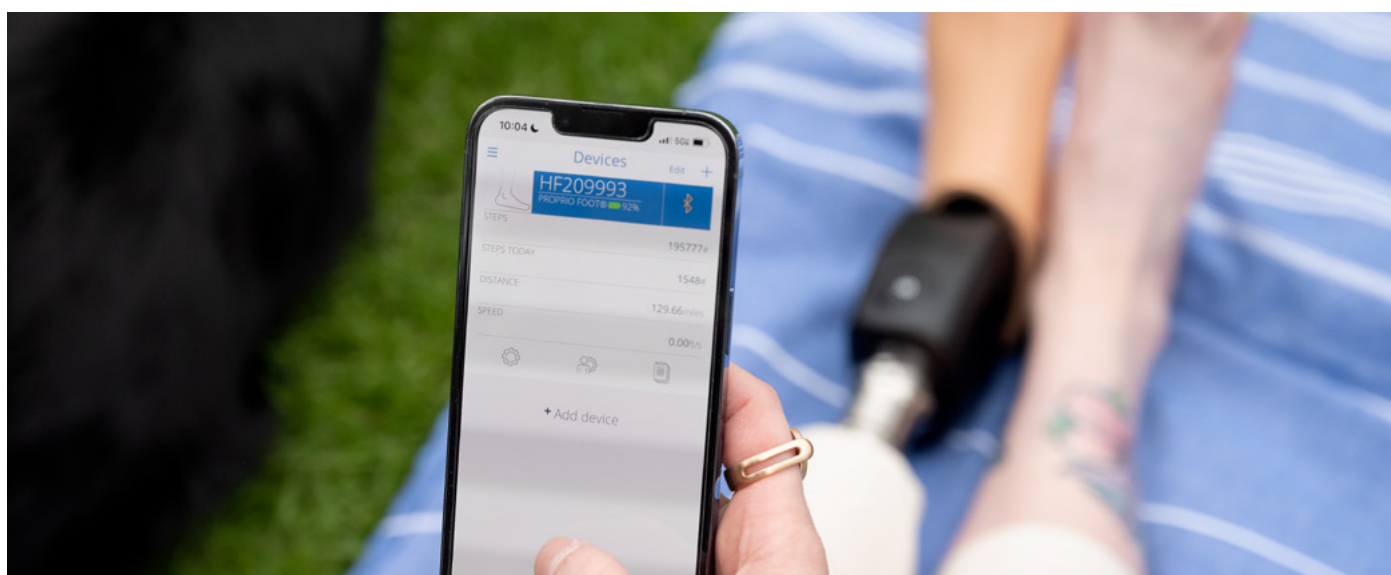
Össur is committed to complying with tax regulations, aiming to pay all legally required taxes while simultaneously creating shareholder value. The tax strategy focuses on optimizing taxes, striking a balance between benefits, risks, and costs. Evolving laws and regulations may necessitate adjustments to Össur's tax and legal structure to ensure ongoing compliance and corporate social responsibilities.

Össur's activities are subject to privacy laws, which could have an impact on its operations

Data protection laws and regulations, including the General Data Protection Regulation in Europe and the Health Insurance Portability and Accountability Act in the US regulate the processing, transmission, maintenance, use and disclosure of personal data, including protected health information. There are costs and administrative burdens associated with ongoing compliance with these laws and any failure to comply with current and applicable future requirements could severely damage Össur's reputation and possibly lead to significant fines.

Össur's activities are subject to climate change risks

In today's business landscape, climate change is recognized as a significant risk that can impact organizations across various sectors. Ongoing compliance with environmental regulations, including Corporate Sustainability Reporting Directive, involves substantial costs and administrative complexities. Any lapses in adherence to current or forthcoming requirements could not only jeopardize Össur's reputation but also potentially result in substantial fines. Össur took a proactive approach ensuring that it is well-positioned to navigate and mitigate potential risks. As part of our commitment to sustainability and responsible corporate governance, Össur performed a climate risk assessment to identify and evaluate potential risks associated with climate change.



Board of Directors



Niels Jacobsen

Chairman of the Board of Directors

Born in 1957
Member of the Board of Directors since 2005

Education

Master of Science (MSc) degree in Economics from the University of Aarhus in Denmark

Board positions

- Nissens A/S, Board member
- Thomas B. Thirge Foundation, Chairman
- ABOUT YOU Holding GmbH, Deputy Chairman
- ATP Langsigtet Dansk Kapital, member of Advisory Board
- Central Board of the Confederation of Danish Industry, member

Additional duties related to William Demant Invest A/S

- Demant A/S, Deputy Chairman
- Jeudan A/S, Chairman
- Vision RT Ltd., Chairman

Experience

Niels has extensive leadership experience from major international companies. His competencies include business management and in-depth knowledge of financial matters, accounting, risk management and M&A. He has broad experience from the global healthcare industry.

He is currently CEO of William Demant Invest A/S and prior to that he was President & CEO of Demant A/S (formerly William Demant Holding A/S).

Shares held in Össur

203,330 (incl. related parties)

Niels holds no share options in Össur.

Other

Niels has no interest links with Össur's main clients or competitors. Niels is a dependent member of the Board as he represents the interest of Össur's controlling shareholder, William Demant Invest A/S.



Dr. Svafa Grönfeldt

Vice Chairman of the Board of Directors

Born in 1965
Member of the Board of Directors since 2008

Education

Doctorate in Industrial Relations from the London School of Economics

Board positions

- Icelandair hf., Board member
- Marel hf., Board member

Experience

Dr. Svafa Grönfeldt is a Professor of Practice at the Massachusetts Institute of Technology. She is a founding member of MIT's newest innovation accelerator DesignX focused on developing new ventures created at MIT. Svafa is the co-founder of The MET fund, a Cambridge based seed investment fund. Previous positions include executive leadership positions at two global life science companies where she served as Chief Organizational Development Officer of Alvogen and Deputy to the CEO of Actavis Group. Svafa is a former President of Reykjavik University.

Shares held in Össur

Svafa holds no shares nor share options in Össur.

Other

Svafa has no interest links with Össur's main clients, competitors, or major shareholders. Svafa is considered a dependent member of the Board due to her long tenure on the Board.



Arne Boye Nielsen

Member of the Board of Directors

Born in 1968
Member of the Board of Directors since 2009

Education

Master's degree in Business Administration from Copenhagen Business School in Denmark

Board positions

- Revenio Group Oyj, Chairman

Additional duties related to William Demant Invest A/S

Demant A/S, member of Executive Board

Experience

Arne has spent most of his career with Demant A/S in various and expanding roles throughout the world. After working as an interim General Manager of Oticon Australia Pty Ltd, Arne assumed, in 1996, as President of Diagnostics and Communications in Demant, which has operations worldwide. Arne left Demant A/S in 2023.

Shares held in Össur

Arne holds no shares nor share options in Össur.

Other

Arne has no interest links with Össur's main clients or competitors. Arne is a dependent member of the Board as he represents the interest of Össur's controlling shareholder, William Demant Invest A/S.

Board of Directors



Dr. Alberto Esquenazi

Member of the Board of Directors

Born in 1957

Member of the Board of Directors since 2021

Education

Medical degree in Medicine and Surgery from Universidad Nacional Autonoma de Mexico in Mexico

Board positions

- AMRPA and Jefferson Einstein Healthcare Network, Board member

Experience

Dr. Alberto Esquenazi, MD, serves as the John Otto Haas Chair of the Department of Physical Medicine and Rehabilitation at Jefferson Moss-Magee Rehabilitation in Philadelphia and is the Chief Clinical Officer as well as Director of the Gait and Motion Analysis Laboratory and Clinical Director of the Regional Amputee Center. He is Professor of PM&R at Jefferson School of Medicine and the SVP, Enterprise Rehabilitation and Postacute Care Network. Alberto is the past president of the American Academy of PM&R. He has published widely and is a member of national and international professional, educational, and research societies.

Shares held in Össur

Alberto holds no shares nor share options in Össur.

Other

Alberto has no interest links with Össur's main clients, competitors or major shareholders. Alberto is an independent member of the Board.



Gudbjörg Edda Eggertsdóttir

Member of the Board of Directors

Born in 1951

Member of the Board of Directors since 2013

Education

Master's degree (Pharm.) from Copenhagen University in Denmark

Board positions

- Brunnur Investment Fund, Chairman
- Coripharma Holding ehf., Vice Chairman
- Orf Genetics hf., Board member
- Bioeffect hf., Board member
- Saga Natura ehf., Chairman
- Pretium ehf., Chairman
- Reykjavik University, Chairman of RU Council and Chairman of the Board of Directors

Experience

Gudbjörg Edda's previous positions include President & EVP Strategic Projects of Actavis Plc in Iceland, a global integrated specialty pharmaceutical company. She was Deputy CEO and EVP of Third Party Sales at Actavis Group hf., Deputy CEO, Head of R&D, Assistant Managing Director, Development Manager, Regulatory Manager and Marketing Manager at Delta hf. and Medical Representative at Pharmaco hf. She was the President of the European Generic Medicines Association from 2011-2013.

Shares held in Össur

26,318 (incl. related parties)

Gudbjörg Edda holds no share options in Össur.

Other

Gudbjörg Edda has no interest links with Össur's main clients, competitors or major shareholders. Gudbjörg Edda is an independent member of the Board.

Executive Management



Sveinn Sölvason

President and CEO

Born in 1978
With Össur since 2009

Education

Master's degree in Finance and Accounting (Cand. Merc.FIR) from Copenhagen Business School
Bachelor's degree in International Business from Copenhagen Business School

Board positions

Icelandic-American Chamber of Commerce,
Board member

Experience

Before being appointed President and CEO of Össur in 2022, Sveinn served as the company's Chief Financial Officer for almost a decade. Sveinn first joined Össur in 2009 where he initially took on roles within Corporate Development and Treasury. Prior to joining Össur, he worked at Marel, Kaupthing Bank, Goldman Sachs and HSH Nordbank.

Shares held in Össur

68,342



Guðný Arna Sveinsdóttir

Chief Financial Officer

Born in 1966
With Össur since 2022

Education

Master's degree in Accounting and Finance from the University of Uppsala, Sweden
Cand.oecon. degree from the University of Iceland

Experience

Before joining Össur, Guðný Arna held finance roles at Kvika Bank and subsidiaries. Prior to that, she was at Teva Pharmaceuticals/Actavis for ten years, including as the CFO of Teva Pharmaceutical Generic R&D. During her time at Teva, she worked and lived in Switzerland and in the US. Guðný Arna was an independent consultant to financial institutions in Iceland before joining Teva and worked in various finance roles at Kaupthing Bank 2001-2008, including as the CFO. She also worked at Eimskip in Iceland and PWC in Stockholm.

Shares held in Össur

Guðný Arna holds no shares in Össur.



Christian Robinson

President Americas

Born in 1982
With Össur since 2012

Education

Juris Doctorate from Harvard Law School
Bachelor's Degree in English Literature from Brigham Young University

Board positions

National Association for the Advancement of Orthotics and Prosthetics (NAAOP), Board member

Experience

Since joining Össur in 2012, Christian has served in several roles including as General Counsel Americas, VP of Finance Americas, and as Managing Director Americas. Prior to joining Össur, he practiced corporate and transactional law with international law firm Paul Hastings LLP with a focus on M&A and capital markets.

Shares held in Össur

13,207

Executive Management



Gudjón G. Kárasón

EVP of EMEA & APAC

Born in 1969
With Össur since 1998

Education

Master's degree in Engineering from the University of Iceland
CS degree in Mechanical Engineering from the University of Iceland

Board positions

Iðunn framtakssjóður slhf., Board member

Experience

Gudjón has been with Össur since 1998, and has since then worked in R&D, Marketing, Sales, and Clinics in multiple positions. Prior to joining Össur, Gudjón worked as a Development Manager for a couple of smaller industrial companies in Iceland.

Shares held in Össur

98,059



Hildur Einarsdóttir

EVP of Research and Development

Born in 1982
With Össur since 2009

Education

Master's degree in Biomedical Engineering with focus on Computational Neuroscience from Imperial College London
Bachelor's degree in Electrical Engineering from the University of Iceland

Board positions

- Industrial Advisory Board, Imperial College London, Board member
- Science and Innovation Council, Prime Minister's Office - Iceland, Vice Chairman
- The Össur and Ottobock Research Trust Fund, Board member

Experience

Hildur has been with Össur since 2009 in various roles within R&D and Sales & Marketing. She first joined as an engineer for the Bionic portfolio, was the Global Product Manager for Bionics followed by several years as the Director of Global Product Management for Prosthetics. Hildur was VP of Global Marketing before rejoining the R&D team in 2018, taking on the role of VP of Strategy & Operations. Prior to joining Össur, she worked for deltaDOT, a biotech company in the UK.

Shares held in Össur

600



Ólafur Gylfason

Chief Commercial Officer

Born in 1969
With Össur since 1997

Education

Master's degree in International Business Economics from Alborg University in Denmark
Bachelor's degree in Business Administration from Bifrost School of Business in Iceland

Experience

Ólafur joined Össur in 1997 as the sales manager for emerging markets. He moved to The Netherlands in 2000 to establish and lead the European region as part of the executive team and then shifted his role over to the Americas region in 2013. Prior to his appointment as CCO of Össur in 2022, Ólafur was EVP of Global Sales & Marketing and Prosthetics for six years.

Shares held in Össur

12,808

Executive Management



Margrét Lára Fridriksdóttir

EVP of People, Strategy & Sustainability

Born in 1978
With Össur since 2000

Education

Master's degree in Management and Strategy
from the University of Iceland
Bachelor's degree in Business Administration
from the University of Iceland

Board positions

- Investment committee of VEX I, Board member
- Icelandic Chamber of Commerce, Board member
- Annata, Board member
- HPP Solutions, Board member
- SET Pipes, Board member

Experience

Over the course of more than two decades at Össur, starting in 2000, Margrét Lára has held key positions in finance, corporate strategy and human resources. Prior to joining the Executive Management in 2013, Margrét Lára served as Vice President of Corporate Strategy.

Shares held in Össur

35,376



Lukas Märklin

Chief Operating Officer

Born in 1974
With Össur since 2023

Education

Master's degree in Mechanical Engineering from
ETHZ Swiss Federal Institute of Technology

Experience

Lukas was appointed Chief Operating Officer in 2023. Lukas came to Össur from Straumann, the world's largest dental implant manufacturer group. His career with Straumann spans over two decades where he most recently served as Senior Vice President of Operations. In between his time at Straumann undertaking diverse positions, Lukas worked as Head of Global Operations Management at Endress+Hauser Group.

Shares held in Össur

Lukas Märklin holds no shares in Össur

FINANCIAL STATEMENTS

Consolidated Financial Statements

Össur hf. Consolidated Financial Statements 31 December 2023

Table of contents

Statement by the Board of Directors and President and CEO	119
Independent Auditor's Report	124
Consolidated Income Statement	129
Consolidated Statement of Comprehensive Income	130
Consolidated Balance Sheet	131
Consolidated Statement of Cash Flow	133
Consolidated Statement of Changes in Equity	134
Notes to the Consolidated Financial Statements	135

Statement by the Board of Directors and President and CEO

Össur is a global leader in non-invasive orthopaedics, innovating, producing, and providing advanced and innovative technological solutions within the prosthetics and bracing & supports market. Össur's mission is to improve the mobility of our end-users so they can live their Life Without Limitations®. The Company is headquartered in Iceland and owns and operates subsidiaries in multiple countries around the world. The Company sells its products worldwide, but its principal market are North America and Europe. The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as "the Company" or "Össur").

Össur's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) accounting standards as adopted by the European Union and additional requirements in the Icelandic Annual Accounts Act no. 3/2006.

Operations in 2023

The total Net sales of the Company amounted to USD 785.7 million (2022: USD 718.7 million). Organic sales increase was 9%. Net profit amounted to USD 58.8 million (2022: USD 43.2 million). Diluted earnings per share amounted to US cents 14.0 (2022: US cents 10.3). Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to USD 139.3 million and 18% of sales (2022: USD 114.2 million, 16% and EBITDA before special items amounted to USD 128.2 million, 18%).

The total assets of the Company amounted to USD 1,385.7 million at year end (2022: USD 1,325.4 million), total liabilities were USD 680.7 million (2022: USD 689.9 million) and total equity was USD 705.0 million (2022: USD 635.5 million). The equity ratio at year end was 51% (2022: 48%).

The Company employed an average of 3,945 employees in 2023 (2022: 3,866) and 3,999 at year end (2022: 3,892). Information regarding salaries and salary related expenses can be found in note 6.

In 2023 Össur managed to grow the business across all regions and business segments. Sales grew 9% organically and increased 10% including acquisitions, attributed to strong volume growth in Prosthetics and Patient Care, positive solutions mix, impact from new product launches, and price increases in Prosthetics and Bracing & Supports.

Inflationary effects were evident in both labor and raw material cost, but freight cost declined by USD 5-6 million in 2023 compared to 2022. Freight cost declined in line with expectations, driven by lower freight rates and reduced volume shipped from Asia. Reduced freight cost was partly offset by temporary use of more expensive means of freight for some raw materials in line with strong sales performance.

Össur continues its progress in its strategic objectives to become a patient focused company by acquiring in January 2024, FIOR & GENTZ, a leading maker of lower limb neuro orthotic components. More details can be found in note 33.

Statement by the Board of Directors and President and CEO

Shareholders and share price

Össur's shares are admitted to trading on the Nasdaq Copenhagen stock exchange. The market value of the Company at year end was USD 1,713 million (2022: USD 2,035 million). The share price in DKK amounted to 27.45 at year end (2022: 33.55) and decreased by 18.2% during the year. At year end, registered shareholders in Össur were 4,675 compared to 4,736 at the beginning of the year. It should be noted that due to the concentration of trading in Nasdaq Copenhagen in 2017, about 1,600 shareholders that held shares listed in Iceland were consolidated into a few nominee accounts. The ten largest shareholders and their ownership percentage (net of treasury shares) are: William Demant Invest A/S - 52.1%, Islandsbanki Bank – 13.9%, Citibank Europe – 10.7%, Arbejdsmarkedets Tillægspension (ATP) - 5.2%, JP Morgan SE – 2.2%, SEB Sverigefond Smabolag Chans/Risk – 2%, State Street Bank – 1.6%, SEB Sverigefond Smabol – 1.5%, Clearstream – 1.2% and DNB Bank ASA – 1.2%. William Demant Invest A/S (WDI) ownership in Össur exceeded 50% in January 2018. According to WDI's announcement at the time, their intention is to hold 50-60% of Össur's shares going forward and they have no intention of taking over Össur or delisting Össur's shares from Nasdaq Copenhagen. Furthermore, WDI has no intention of making changes to Össur's strategy, management or operations.

Össur shares and stock options

At the Company's 2022 Annual general meeting on 29 March 2023 it was approved to reduce Össur's share capital by ISK 2 million nominal value by way of cancelling 2 million Össur's treasury shares. Therefore, following the capital reduction, Össur's total share capital is 421 million shares with a nominal value ISK 1 krona each.

At year end 2023 Össur held 0.7 million treasury shares that equals to 0.2% of issued shares. The remaining treasury shares held will be used to fulfill obligations under share option agreements that have vested or will be vesting in 2024. Share options are granted to management and selected employees. Total granted and unexercised share options at year end 2023 were 4.9 million shares (2022: 5.8 million shares), of which 3.3 million are exercisable before year end 2024 and the remainder between 2025 - 2026.

Dividend proposal

In line with the Company's Capital Structure and Capital Allocation Policy, the Board of Directors will propose to the Annual General Meeting in 2024 not to pay a cash dividend. With emphasis on prioritizing investments in growth opportunities, value-adding investment opportunities and acquisitions, Össur has decided to discontinue dividend payments and focus on returning excess capital to shareholders via purchase of treasury shares in accordance with the Company's Capital Structure and Capital Allocation Policy.

Statement by the Board of Directors and President and CEO

Corporate governance and risk management

The Company follows the Danish Recommendations for Corporate Governance issued by the Danish Committee on Corporate Governance, available at: <https://corporategovernance.dk/>. The Board of Directors complies with applicable Icelandic laws and regulations, the Articles of Association of the Company and the Board of Directors' Rules of Procedure, which addresses the Board's role and responsibilities. The Company's management structure consists of the Board of Directors and the Executive Management, led by the President and CEO. The two bodies are separate, and no person serves as a member of both. The Board of Directors is composed of five members elected by shareholders at each Annual General Meeting for a term of one year. The Board of Directors consists of two women and three men and is in compliance with Icelandic law on gender ratio. No Össur employee sits on the Board of Directors. The President and CEO manages the Company's daily operations.

The Board of Directors has established three committees, the Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee has three members from the Board, who are appointed by the Board of Directors for a term of one year. The Chairman of the Board and the Chairman of the Audit Committee sit on the Nomination Committee with the President and CEO and the Remuneration Committee. The committees comply with their respective Terms of Reference, which address their role and responsibilities etc.

An investment in Össur involves various risks as the business, financial conditions, and operational results rest upon certain assumptions and could have negative affect the Company. Even though the long-term prospects and underlying fundamental drivers of our markets are not expected to change, Össur highlights key risks which are currently considered the most relevant. The key risks identified are: reimbursement landscape, regulatory requirements, new technologies, industry consolidation and forward integration. Further description of these risks as well as other relevant material risks that Össur faces can be found in the Risk Management chapter of the Annual Report and Company's website. Information about financial instruments and financial risk management can be found in note 34.

The Board of Directors has an ongoing dialogue with the President and CEO on the identification, description and handling of the business risks to which the Company may be exposed. The Company's control framework in relation to financial processes, is designed to mitigate risk of material misstatements. The Company designs its processes to ensure there are no material weaknesses with internal controls that could lead to a material misstatement in its financial reporting. The external auditor's role in these processes is included in the Independent auditor's report.

Sustainability at Össur

Sustainability is embedded into our strategy and throughout our organization. We have a robust sustainability agenda and capture our commitment under the theme of Responsible for Tomorrow® recognizing that the decisions and actions we take today, will affect future generations.

Our Sustainability Commitment is to provide products and services that contribute to good health, using responsible production methods and supporting climate action, while being a sponsor for inclusivity and transparency. We believe that sustainable growth is the only way to build a successful and responsible business for the benefit of future generations.

Our Environment

We take responsibility for our environmental impact and focus our efforts on our operations, our supply chain, and our products. We have set science-based targets and are actively working towards Net-zero operations by 2050. We are reducing the environmental impact in our supply chain, and of our products and services.

Statement by the Board of Directors and President and CEO

Our People

We take responsibility for enhancing the social well-being of our people and communities and focus our efforts on our customers, our employees, our suppliers, and our communities. We develop quality products and services that improve people's mobility, we nurture the well-being and development of our employees within a safe and inclusive work environment. We partner with suppliers that are committed to quality, and ethical and sustainable practices, and we create a lasting positive impact on our communities, helping more people to live a Life Without Limitations. Multiple policies have been approved and implemented to support and guide our employees and other stakeholders. Our policies are available on the Company's website: <https://www.ossur.com/global/our-responsibility/our-commitments/policies>.

Our Business

We lead our business with integrity and transparency, promoting sound governance practices in all our activities. In accordance with our values, we set high ethical standards, and we have a zero-tolerance policy when it comes to corruption and bribery. We guide our employees through our Code of Conduct and offer platforms for them and other stakeholders to voice any potential concerns through the Össur Speak-Up line. The Board approves a Corporate Governance report that includes all the information to be included in the statutory statement referred to in Article 66 (c) of the Icelandic Act Annual Accounts no. 3/2006, as well as explanations, comments and information on each recommendation in the Danish Recommendation for Corporate Governance. The report is available on the Company's website: <https://www.ossur.com/global/investor-relations/corporate/reports>.

A requirement to conclude on non-financial information has been made part of Icelandic law from 2016 as part of the implementation of EU directive 2013/34/EU that became effective for Member States in 2017. It is the Board of Directors opinion that necessary information to analyze the environmental, social and employee aspects of the business can be obtained by reviewing information in the Annual Report, in the Sustainability chapter to help provide fundamental understanding of the Company's development, performance and position on non-financial matters. Össur has obtained limited assurance according to ISAE 3000 for the information disclosed in the Sustainability chapter in the Annual report. Össur is required by the EU Taxonomy to disclose its alignment and eligibility of turnover, operating expenses and capital additions with six environmental objectives stated in the EU 2020/852 regulation. The results can be found in Sustainability chapter in Annual Report.

In 2023, Össur submitted our science-based targets to the Science Based Targets initiative (SBTi) for validation. Additionally, Össur has reported to CDP since 2022, signed the UN Women's Empowerment Principles in 2014 and joined the UN Global Compact in 2011. Össur has chosen six UN Sustainable Development Goals to contribute to, based on our sustainability commitment. Further information about Össur's sustainability activities and performance can be found in the Sustainability chapter in Annual Report.

Statement by the Board of Directors and President and CEO

Statement by the Board of Directors and the President and CEO

According to our best knowledge, it is our opinion that the Consolidated Financial Statements give a true and fair view of the consolidated financial performance of the Company for the year 2023, its assets, liabilities and consolidated financial position as at 31 December 2023 and its consolidated cash flows for the year 2023. Furthermore, it is our opinion that the financial statements and the report of the Board of Directors and the President and CEO contain a clear overview of developments and results in the Company's operations, its position and describe the main risk factors and uncertainties facing the Company.

In our opinion, the Consolidated Financial Statements of Össur hf. for the financial year 2023 identified as "ossur-2023-12-31.zip" are prepared in all material respects, in compliance with the ESEF Regulation.

The Board of Directors and President and CEO of Össur hf. hereby confirm the Consolidated Financial Statements of Össur for the year 2023 with their signatures.

Reykjavík, 30 January 2024

Board of Directors

Niels Jacobsen
Chairman of the Board

Svafa Grönfeldt
Vice Chairman of the Board of Directors

Arne Boye Nielsen
Member of the Board of Directors

Alberto Esquenazi
Member of the Board of Directors

Guðbjörg Edda Eggertsdóttir
Member of the Board of Directors

President and CEO

Sveinn Sölvason

Independent auditor's report

To the Board of Directors and the Shareholders of Össur hf.

Opinion

We have audited the accompanying Consolidated Financial Statements of Össur hf. and its subsidiaries (the Company) for the year 2023, excluding the Statement by the Board of Directors and President and CEO.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Company as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS accounting standards as adopted by the European Union (EU), and applicable articles in Icelandic law on annual accounts.

Our opinion is consistent with our additional report to the Audit Committee and Board of Directors.

The Consolidated Financial Statements comprise

- The Statement by the Board of Directors and President and CEO.
- The Consolidated Income Statement.
- The Consolidated Statement of Comprehensive Income.
- The Consolidated Balance Sheet.
- The Consolidated Statement of Cash Flow.
- The Consolidated Statement of Changes in Equity.
- Notes to the Consolidated Financial Statements, which include material accounting policies and other explanatory information.

The Statement by the Board of Directors and President and CEO are excluded from the audit, refer to section reporting on other information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Consolidated Financial Statements section of our report.

Independence

We are independent of the Company in accordance with Icelandic laws on auditors and auditing and the code of ethics that apply to auditors in Iceland and relate to our audit of the Company's Consolidated Financial Statements. We have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in Iceland and that we have not provided non-audit services that are prohibited under Article 5.1. of Regulation (EU) No. 537/2014.

The non-audit services that we have provided to the Company, in the period from 1 January 2023 to 31 December 2023, are disclosed in note no. 7 to the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Impairment of goodwill

The book value of goodwill at year end 2023 amounted to USD 690.9 million.

The change in goodwill consists of additions due to current year business combinations amounting to USD 2.2 million as well as exchange rate profit amounting to USD 8.2 million.

The carrying value of goodwill and the related impairment test relies on the discounted expected future cash flows (value in use) which are complex to determine and require significant estimation by management. The estimates used by management include the determination of market and sales potential, timing of product launches, profit margins, discount rate assumptions and the determination of appropriate cash generating units.

Due to the relative sensitivity of certain inputs to the impairment testing process, and in particular the future cash flows of the cash generating unit, the valuation of goodwill is considered to be a key audit matter.

We refer to note no. 40 that explains the impairment and Company's accounting policies in further detail. We also refer to note no. 13 on goodwill and note no. 32 relating to the change in the Company due to the acquisition of other companies.

Audit procedures

Our audit procedures included:

- Understanding management's process for assessing the goodwill for potential impairment, including discussions with management for indications of impairment of goodwill.
- Evaluation of the reasonability of the model used by management to calculate the value in use of the individual cash generation units and if it complies with the requirements of IAS 36 Impairment of assets. This entailed involving our internal specialists to assist with the audit procedures carried out in relation to the impairment of goodwill.
- Understanding and validation of assumptions used to calculate the discount rates and value in use, including evaluation of price and volume forecast, long-term growth rates, and mathematical accuracy of relevant value-in-use models prepared by management.
- Performing sensitivity analysis based on activity and our understanding of the future prospects to identify whether these scenarios could give rise to an impairment.
- Evaluation of the presentation and disclosure of impairment testing, ensuring compliance with applicable accounting standards.

Reporting on other information, including the Statement by the Board of Directors and President and CEO

The Board of Directors and President and CEO are responsible for other information. The other information comprises of the Statement by the Board of Directors and President and CEO, note no. 2 Quarterly statements and the Annual Report, which we obtained prior to the date of this auditor's report.

Our opinion on the Consolidated Financial Statements does not cover the other information, including the Statement by the Board of Directors and President and CEO.

Independent auditor's report

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

With respect to the Statement by the Board of Directors and President and CEO we have, in accordance with article 104, of the Icelandic law on annual accounts reviewed that to the best of our knowledge, the Statement by the Board of Directors and President and CEO accompanying the Consolidated Financial Statements includes applicable information in accordance with Icelandic law on annual accounts if not presented elsewhere in the Consolidated Financial Statements.

Responsibilities of the Board of Directors and President and CEO

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRS accounting standards as adopted by the EU, and applicable articles in Icelandic law on annual accounts, and for such internal control as determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Company's management must provide appropriate explanations regarding its ability to continue as going concern, if applicable, and why management applies the presumption of going concern in the preparation and presentation of the Consolidated Financial Statements.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditor's report

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on European single electronic format (ESEF Regulation)

As part of our audit of the Consolidated Financial Statements of Össur hf. we performed procedures to be able to issue an opinion on whether the Consolidated Financial Statements of Össur hf. for the year 2023 with the file name ossur-2023-12-31.zip is prepared, in all material respects, in accordance with law no. 20/2021 Act on securities issuer obligations to issue information and self-report relating to requirements under the European single electronic format regulation EU no. 2019/815, which include requirements concerning preparation of the Consolidated Financial Statements in XHTML format and iXBRL markup.

The Board of Directors and President and CEO are responsible for preparing the Consolidated Financial Statements in accordance with law no. 20/2021. This responsibility includes preparing the Consolidated Financial Statements in a XHTML format in accordance to EU regulation no. 2019/815 on the European single electronic format (ESEF regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the Consolidated Financial Statements are prepared in all material respects, in accordance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF regulation, whether due to fraud or error.

In our opinion, the Consolidated Financial Statements of Össur hf. for the year 2023 with the file name ossur-2023-12-31.zip is prepared, in all material respects, in accordance with the European single electronic format regulation EU no. 2019/815.

Independent auditor's report

Appointment

We were first appointed as auditors at the Company's annual general meeting on 8 March 2022. Our appointment has been renewed annually at the Company's annual general meeting representing a total period of uninterrupted engagement appointment of two years.

Reykjavík, 30 January 2024

PricewaterhouseCoopers ehf.

Vignir Rafn Gíslason
State Authorized Public Accountant

Ljósbrá Baldursdóttir
State Authorized Public Accountant

Consolidated Income Statement

All amounts in USD '000	Notes	2023	2022
Net sales	3	785,683	718,650
Cost of goods sold		(300,110)	(278,902)
Gross profit		485,573	439,748
Other income / (expenses)		1,927	(2,296)
Sales and marketing expenses		(293,080)	(266,056)
Research and development expenses		(38,142)	(34,024)
General and administrative expenses		(66,891)	(72,529)
Earnings before interest and tax (EBIT)		89,387	64,844
Financial income		4,608	1,306
Financial expenses		(20,720)	(12,947)
Net exchange rate difference		(666)	2,612
Net financial expenses	8	(16,778)	(9,029)
Share in net profit of associates	15	3,398	357
Earnings before tax (EBT)		76,007	56,172
Income tax	9	(17,206)	(12,962)
Net profit		58,801	43,210
Attributable to:			
Owners of the Company		58,389	42,513
Non-controlling interests		412	697
Net profit		58,801	43,210
Earnings per share	10		
Basic earnings per share (US cent)		14.0	10.3
Diluted earnings per share (US cent)		14.0	10.3

Consolidated Statement of Comprehensive Income

All amounts in USD '000	Notes	2023	2022
Net profit		58,801	43,210
Items that may be reclassified subsequently to profit or loss:			
Change in cash flow hedges	24	963	(1,431)
Fair value changes of financial liabilities	29	93	0
Exchange differences on translating foreign operations		4,839	(23,968)
Income tax	22	811	(208)
Other comprehensive income, net of income tax		6,706	(25,607)
Total comprehensive income		65,507	17,603
Attributable to:			
Owners of the Company		65,095	16,906
Non-controlling interests		412	697
Total comprehensive income		65,507	17,603

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	31.12.2023	31.12.2022
Property, plant and equipment	11	64,386	54,189
Right of use assets	12	121,673	125,131
Goodwill	13	690,855	680,400
Other intangible assets	14	65,841	62,003
Investment in associates	15	20,532	13,751
Other financial assets	16	4,530	3,719
Deferred tax assets	26	41,888	37,320
Non-current assets		1,009,706	976,514
Inventories	17	136,226	132,127
Accounts receivable	18	127,844	112,372
Other assets	19	39,253	27,717
Cash and cash equivalents	20	72,653	76,631
Current assets		375,976	348,847
Total assets		1,385,682	1,325,361

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000	Notes	31.12.2023	31.12.2022
Issued capital and share premium	21	66,260	66,211
Reserves	22	(64,045)	(70,467)
Retained earnings		699,667	639,961
Shareholders equity		701,883	635,704
Non-controlling interest		3,123	(194)
Total equity		705,005	635,510
Borrowings	25	311,802	277,709
Lease liabilities	12	112,605	116,376
Deferred tax liabilities	26	28,777	29,596
Provisions	27	6,666	5,808
Deferred income	28	7,277	6,042
Other financial liabilities	29	17,351	17,314
Non-current liabilities		484,478	452,844
Borrowings	25	21,533	62,068
Lease liabilities	12	21,793	24,770
Accounts payable		30,749	28,653
Income tax payable		12,138	11,012
Provisions	27	11,322	19,325
Accrued salaries and related expenses		50,068	42,005
Other financial liabilities	29	9,583	18,524
Other liabilities	31	39,012	30,651
Current liabilities		196,198	237,007
Total liabilities		680,676	689,851
Total equity and liabilities		1,385,682	1,325,361

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	2023	2022
Earnings before interests and tax (EBIT)		89,387	64,844
Depreciation and amortization	11, 12, 14	49,920	49,365
Change in inventories		(2,268)	(28,620)
Change in receivables		(16,370)	(13,197)
Change in payables		14,896	10,942
Change in provisions		(7,365)	11,583
Other operating activities		(2,214)	(2,952)
Cash generated from operations		125,986	91,965
Interest received		4,733	1,581
Interest paid		(16,046)	(13,112)
Income tax paid		(20,349)	(19,663)
Net cash generated from operating activities		94,324	60,771
Purchase of fixed and intangible assets	11, 14	(42,278)	(25,942)
Acquisition of subsidiaries, net of cash in acquired entities	32	(11,903)	(41,784)
Other investing activities		(2,966)	1,465
Cash flows used in investing activities		(57,147)	(66,261)
Proceeds from long-term borrowings	25	0	52,833
Repayments of long-term borrowings	25	(13,202)	(65,797)
Changes in revolving credit facility	25	(1,575)	48,588
Payments of lease liabilities	12	(25,423)	(21,264)
Dividends from subsidiaries paid to non-controlling interests		(759)	(630)
Purchased treasury shares		0	(9,941)
Cash flows (used in) / generated from financing activities		(40,959)	3,789
Net change in cash		(3,782)	(1,702)
Exchange rate effects on cash held in foreign currencies		(196)	(6,864)
Cash and cash equivalents at beginning of period		76,631	85,197
Cash and cash equivalents at end of period		72,653	76,631

Non-cash financing and investing activities

20

Consolidated Statement of Changes in Equity

All amounts in USD '000	Share capital	Share premium	Other reserves	Retained earnings	Share-holders equity	Non-controllin interests	Total equity
Balance at 1 January 2022	4,795	70,776	(45,917)	591,932	621,586	5,009	626,595
Net profit				42,513	42,513	697	43,210
Change in cash flow hedges			(1,141)		(1,141)		(1,141)
Transl. diff. of shares in subsidiaries			(24,466)		(24,466)		(24,466)
Total comprehensive income	0	0	(25,607)	42,513	16,906	697	17,603
Payment of dividends					0	(630)	(630)
Share option charge for the period			2,221		2,221		2,221
Share option vested during the period	1	579	(1,164)	245	(338)		(338)
Purchase of treasury shares	(16)	(9,925)			(9,941)		(9,941)
Change in non-controlling interests				5,270	5,270	(5,270)	0
Balance at 31 December 2022	4,781	61,430	(70,467)	639,961	635,704	(194)	635,510
Net profit				58,389	58,389	412	58,801
Change in cash flow hedges			770		770		770
Fair value changes of financial liabilities			70		70		70
Transl. diff. of shares in subsidiaries			5,866		5,866		5,866
Total comprehensive income	0	0	6,706	58,389	65,095	412	65,507
Payment of dividends					0	(759)	(759)
Put option for minority share in subsidiary			(825)		(825)		(825)
Share option charge for the period			1,759		1,759		1,759
Share option vested during the period	0	49	(1,218)	1,088	(81)		(81)
Change in non-controlling interests				229	229	3,665	3,894
Balance at 31 December 2023	4,781	61,479	(64,045)	699,667	701,883	3,123	705,005

For details on other reserves refer to note 22.

In June 2016 the Icelandic Parliament passed a legal reform of the Icelandic Financial Statements Act no. 3/2006 which became effective on January 1, 2016. It requires retained earnings to be separated into two categories: restricted and unrestricted retained earnings. Profits, net of dividend, received from subsidiaries are classified as restricted retained earnings. The Company could, based on its control as the parent company, decide to let its subsidiaries pay dividends that would lower the restricted balance. As the Company has sufficient retained earnings from previous years, this legal act does not prevent the Company from making dividend payments to its shareholders.

Notes to the Consolidated Financial Statements

1. General information

Össur is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Grjóthals 5, Reykjavík. Its ultimate controlling party is William Demant Invest A/S (WDI). The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as "the Company" or "Össur").

The Company is a global orthopaedics company, specializing in the design, development, manufacturing and sales of prosthetics and bracing & supports products. The Company sells its products worldwide, but the principal markets are North America and Europe.

Össur's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) accounting standards as adopted by the European Union and additional requirements in the Icelandic Annual Accounts Act no. 3/2006.

The Consolidated Financial Statements are presented in US dollars and all values are rounded to the nearest thousand ('000), except when otherwise indicated. This rounding may have impact on the total sum. In preparing the Consolidated Financial Statements, the Company has applied the concept of materiality to the presentation and level of disclosure. It is the opinion of management that essential and mandatory information is disclosed which is relevant to an understanding of these Consolidated Financial Statements.

These Consolidated Financial Statements have been approved for issue by the Board of Directors and President and CEO on 30 January 2024. The Consolidated Financial Statements as presented in this report are subject to approval by the Annual General Meeting of Shareholders, to be held on 13 March 2024.

The Company is listed on the Nasdaq Copenhagen Stock Exchange.

2. Quarterly statements

	Full year 2023	Unaudited			
		Q4 2023	Q3 2023	Q2 2023	Q1 2023
Net sales	785,683	210,197	192,920	201,353	181,212
Cost of goods sold	(300,110)	(81,646)	(73,890)	(75,409)	(69,164)
Gross profit	485,573	128,551	119,030	125,944	112,049
Gross profit margin	62%	61%	62%	63%	62%
Other income	1,927	302	137	430	1,058
Sales and marketing expenses	(293,080)	(76,933)	(71,712)	(73,272)	(71,163)
Research and development expenses	(38,142)	(10,110)	(8,884)	(9,414)	(9,734)
General and administrative expenses	(66,891)	(17,179)	(14,577)	(18,666)	(16,470)
EBIT	89,387	24,631	23,994	25,023	15,739
Net financial expenses	(16,778)	(3,262)	(5,923)	(5,128)	(2,465)
Share in net profit of associates	3,398	2,799	(67)	682	(16)
EBT	76,007	24,169	18,004	20,577	13,257
Income tax	(17,206)	(5,154)	(4,131)	(4,705)	(3,216)
Net profit	58,801	19,015	13,873	15,872	10,041
EBITDA	139,307	37,487	36,271	37,372	28,177
EBITDA margin	18%	18%	19%	19%	16%

There were no special items in the year 2023.

Notes to the Consolidated Financial Statements

3. Net Sales

	2023	2022
Sales by geographical segment:		
Americas	384,057	350,749
EMEA	336,278	306,013
APAC	65,348	61,888
Total	785,683	718,650
Sales by business segment:		
Prosthetics	398,039	346,522
Bracing & Supports	146,500	143,121
Internal product sales	(38,952)	(31,083)
External product sales	505,587	458,560
Patient Care	280,096	260,090
Total	785,683	718,650

Presentation of sales by business segment has been changed in 2023, resulting in restatement of comparatives.

Sales of additional sold warranties and service checks included in standard warranties are deferred at point of sale, then released over the warranty period. Refer to note 40 for accounting policy on revenue recognition and warranty provisions and refer to note 28 for breakdown of revenues recognised over time and amounts deferred and released during the year. All other revenues are recognised at point of sale.

4. Segment Information

The identified operating segments comprise the three main geographical markets. These segments are EMEA (Europe Middle-East and Africa), Americas and APAC (Asia-Pacific). The geographical segments form the basis for managerial decision making. Information reported to the President and CEO for the purposes of resource allocation and assessment of segment performance focuses on geographical markets.

No single customer accounted for more than 10% of the Company's sales in 2023 or 2022.

2023	Americas	EMEA	APAC	Eliminations	Consolidated
Sales					
External sales	384,057	336,278	65,348	0	785,683
Inter-segment sales	134,309	470,317	4,631	(609,257)	0
Total sales	518,366	806,595	69,979	(609,257)	785,683
Results					
Segment results	40,895	41,062	7,430	0	89,387
Net financial expenses					(16,778)
Share in net profit of associates					3,398
EBT					76,007
Income tax					(17,206)
Net profit					58,801

Balance sheet 31.12.2023

Segment assets	735,666	584,861	65,155	0	1,385,682
Segment liabilities	163,737	499,325	17,615	0	680,676

Non current assets other than financial instruments and deferred tax assets located in Iceland amounted to USD 101 million as per 31 December 2023.

Notes to the Consolidated Financial Statements

Other information	Americas	EMEA	APAC	Eliminations	Consolidated
Capital additions	13,760	27,317	1,201	0	42,278
Depreciation, impairment and amortization	16,374	30,899	2,647	0	49,920

The majority of inter-segment sale prices are determined using the Transactional Net Margin Method (TNMM).

2022	Americas	EMEA	APAC	Eliminations	Consolidated
Sales					
External sales	350,749	306,013	61,888	0	718,650
Inter-segment sales	103,506	454,827	13,072	(571,405)	0
Total sales	454,255	760,840	74,960	(571,405)	718,650
Results					
Segment results	24,597	34,977	5,270	0	64,844
Net financial income/(expenses)					(9,029)
Share in net profit of associates					357
EBT					56,172
Income tax					(12,962)
Net profit					43,210

Balance sheet 31.12.2022

Segment assets	720,938	538,434	65,989	0	1,325,361
Segment liabilities	182,077	487,347	20,427	0	689,851

Other information	Americas	EMEA	APAC	Eliminations	Consolidated
Capital additions	6,350	18,350	1,242	0	25,942
Depreciation, impairment and amortization	16,899	28,929	3,537	0	49,365

5. Sales and expenses split by main currencies

	2023			2022		
	LCY	USD	%	LCY	USD	%
Sales						
USD	346,755	346,755	44%	320,039	320,039	45%
EUR	173,902	188,065	24%	154,664	162,914	23%
ISK	503,403	3,659	0%	337,268	2,483	0%
Nordic curr. (SEK, NOK, DKK)		93,268	12%		93,413	13%
Other (GBP, AUD, CAD & Other)		153,936	20%		139,801	19%
Total		785,683	100%		718,650	100%
COGS and OPEX						
USD	308,819	308,819	44%	312,567	312,567	48%
EUR	135,361	146,369	21%	108,448	114,789	17%
ISK	9,959,251	72,122	10%	8,787,768	65,084	10%
Nordic curr. (SEK, NOK, DKK)		85,118	12%		84,630	13%
Other (GBP, MXN, CAD & Other)		83,868	12%		76,736	12%
Total		696,296	100%		653,806	100%

Currency split is derived by using best available information at each time.

Notes to the Consolidated Financial Statements

6. Salaries

	2023	2022
Salaries	269,126	243,112
Salary-related expenses	60,336	55,553
	329,462	298,665
Full time equivalent (FTE) on average	3,945	3,866
Full time equivalent at period end	3,999	3,892

Included in salary-related expense are pension related expenses amounting to USD 19.7 million (2022: USD 18.5 million).

Salaries and salary-related expenses, classified by functional category:

	2023	2022
Cost of goods sold	78,774	69,309
Sales and marketing expenses	172,129	156,562
Research and development expenses	20,872	20,297
General and administrative expenses	57,687	52,497
	329,462	298,665

Management salaries and benefits

	Salaries		Shares owned ⁽ⁱⁱⁱ⁾	
Board of Directors:	2023	2022	2023	2022
Niels Jacobsen - Chairman of the Board ⁽ⁱ⁾	108	103	219,493,992	219,493,992
Svafa Grönfeldt - Vice Chairman	72	62	0	0
Guðbjörg Edda Eggertsdóttir	43	41	26,318	26,318
Alberto Esquenazi	43	41	0	0
Arne Boye Nielsen	50	41	0	0

(i) Shares owned by William Demant Invest A/S which is represented by Niels Jacobsen on the Board. Niels Jacobsen and financially related parties own personally 203,330 shares (2022: 203,330 shares).

(ii) Shares owned are displayed in total number of owned shares, not rounded to the nearest thousand.

The Board of Directors did not hold any share option contracts at the end of the current period nor at the end of the comparative period.

2023	Fixed base salary	Cash based incentive	Pension	Other benefits	Share based incentive	Total remuneration
Executive Management:						
Sveinn Sölvason President and CEO	576	385	85	27	107	1,180
Executive management (7 people) ⁽ⁱⁱ⁾	2,465	859	309	32	727	4,392
	3,042	1,243	395	59	834	5,573
2022	Fixed base salary	Cash based incentive	Pension	Other benefits	Share based incentive	Total remuneration
Executive Management:						
Jón Sigurðsson, President and CEO until 31.3.2022	276	0	37	8	94	415
Sveinn Sölvason, President and CEO from 1.4.2022 ⁽ⁱ⁾	409	50	63	31	91	644
Executive management (9 people; 7 FTE) ⁽ⁱⁱⁱ⁾	2,302	214	305	25	815	3,661
	2,987	264	406	63	1,000	4,720

(i) Shares owned at year end by Sveinn Sölvason 68,342 (2022: 68,342)

(ii) Shares owned at year end by executive management 999,595 (2022: 994,938).

Notes to the Consolidated Financial Statements

7. Fees to Auditors

	2023	2022
Audit of Financial Statements	1,508	1,400
Other services	100	127
	1,608	1,527

The table shows the fees to PricewaterhouseCoopers (PwC) for 2023 and to PwC and other component auditors for 2022. Included in other services is USD 7 thousand (2022: Nil) which represents the fee to PricewaterhouseCoopers ehf. in Iceland, the auditor of the Consolidated Financial Statements.

8. Financial Income / Expenses

	2023	2022
Interests on bank deposits	3,448	779
Other financial income	1,160	527
Financial income	4,608	1,306
Interests on loans	(13,168)	(6,861)
Interest on leases	(4,791)	(4,343)
Other financial expenses	(2,761)	(1,743)
Financial expenses	(20,720)	(12,947)
Net exchange rate differences	(666)	2,612
Net financial expenses	(16,778)	(9,029)

Notes to the Consolidated Financial Statements

9. Income Tax

	2023	2022
Current tax expenses	(21,147)	(23,956)
Deferred tax expenses	3,941	10,994
	(17,206)	(12,962)

	2023		2022	
	Amount	%	Amount	%
Earnings before taxes	76,007		56,172	
Icelandic corporate tax rate	(15,201)	20%	(11,234)	20%
Difference between tax rates of non - Icelandic enterprises and Icelandic corporate tax rate	(2,966)	4%	(369)	1%
Impact of non-deductible expenses / non-taxable income	1,409	(2%)	(243)	0%
Impact of unrecognized tax assets, net	(971)	1%	(1,201)	2%
Effects of change in tax rate	73	(0%)	(122)	0%
Other impacts	450	(1%)	207	(0%)
	(17,206)	23%	(12,962)	23%

Deferred tax:	2023	2022
Origination and reversal of temporary differences	4,014	10,872
Effect of changes in tax rate	(73)	122
	3,941	10,994

Being part of the WDI consolidated group, the compliance and reporting on both country-by-country reporting and Pillar Two is done as part of WDI. Össur, as part of WDI group, is not expected to be materially impacted by OECD's/EUs Pillar Two Model Rules and local implementation thereof. Most countries in which the group has operations impose taxation in excess of 15% with the effect that most countries are covered by the transitional Safe Harbor rules. The limited countries not covered by the transitional safe harbor rules are still expected to show a GloBE effective tax rate (ETR) in excess of 15%. As such, OECD's/EU's Pillar Two Model Rules and local implementation thereof are expected to result in neither material increased tax payments nor changes to the group ETR.

10. Earnings per share

	2023	2022
Net profit	58,801	43,210
Weighted average number of ordinary shares (in '000)	420,297	417,758
Adjustments for calculation of diluted earnings per share:		
Options	21	73
Weighted average number of shares including potential shares (in '000)	420,318	417,831
Basic earnings per share (US cent)	14.0	10.3
Diluted earnings per share (US cent)	14.0	10.3

Notes to the Consolidated Financial Statements

11. Property, plant and equipment

	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipment	Total
2023					
Cost					
At 1 January	2,257	69,427	46,356	13,928	131,968
Reclassification	(1,680)	0	1,680	0	0
Additions	0	8,902	15,540	4,791	29,233
Business combinations	0	82	29	0	111
Eliminated on disposal	0	(4,098)	(3,846)	(280)	(8,224)
Fully depreciated assets	0	(3,258)	(3,624)	(3,795)	(10,677)
Exchange rate differences	19	646	1,116	297	2,078
At 31 December 2023	596	71,701	57,251	14,941	144,489
Depreciation					
At 1 January	474	41,900	26,129	9,276	77,779
Reclassification	(352)	0	352	0	0
Charge for the period	18	8,645	5,445	3,518	17,626
Eliminated on disposal	0	(3,131)	(2,589)	(234)	(5,954)
Fully depreciated assets	0	(3,258)	(3,624)	(3,795)	(10,677)
Exchange rate differences	3	306	859	161	1,329
At 31 December 2023	143	44,462	26,572	8,926	80,103
At 31 December 2023	453	27,239	30,679	6,015	64,386

Depreciation classified by functional category:	2023	2022
Cost of goods sold	9,129	8,945
Sales and marketing expenses	4,549	4,866
Research and development expenses	673	741
General and administrative expenses	3,275	3,170
Total	17,626	17,722

	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipments	Total
2022					
Cost					
At 1 January	1,606	72,331	46,081	17,359	137,377
Reclassification	57	148	1,268	(1,473)	0
Additions	217	7,973	4,402	3,955	16,547
Business combinations	495	1,212	266	4	1,977
Eliminated on disposal/divestment	0	(263)	(491)	(263)	(1,017)
Fully depreciated assets	0	(11,078)	(3,412)	(5,139)	(19,629)
Exchange rate differences	(118)	(896)	(1,758)	(515)	(3,287)
At 31 December 2022	2,257	69,427	46,356	13,928	131,968
Depreciation					
At 1 January	412	44,326	25,360	11,930	82,028
Charge for the period	201	9,176	5,310	3,035	17,722
Eliminated on disposal/divestment	0	(163)	(357)	(229)	(749)
Fully depreciated assets	0	(11,078)	(3,412)	(5,139)	(19,629)
Exchange rate differences	(139)	(361)	(772)	(321)	(1,593)
At 31 December 2022	474	41,900	26,129	9,276	77,779
At 31 December 2022	1,783	27,527	20,227	4,652	54,189

None of the Company's property, plant and equipment are pledged as security. Major divestments are subject to bank approval.

Notes to the Consolidated Financial Statements

12. Leases

Right of use assets

	Buildings & sites	Machinery & equipment	Total
2023			
At 1 January	122,647	2,484	125,131
Additions and renewals	15,033	2,077	17,110
Depreciation charge for the period	(20,566)	(1,934)	(22,500)
Eliminated on disposal and termination	(562)	(24)	(586)
Exchange rate differences	2,415	103	2,518
At 31 December 2023	118,967	2,706	121,673

Depreciation classified by functional category:	2023	2022
Cost of goods sold	8,982	8,471
Sales and marketing expenses	4,491	4,235
Research and development expenses	2,695	2,541
General and administrative expenses	6,332	5,930
Total	22,500	21,177

	Buildings & sites	Machinery & equipment	Total
2022			
At 1 January	123,992	2,739	126,731
Additions and renewals	27,815	1,770	29,585
Depreciation charge for the period	(19,319)	(1,858)	(21,177)
Eliminated on disposal and termination	(5,477)	0	(5,477)
Exchange rate differences	(4,364)	(167)	(4,531)
At 31 December 2022	122,647	2,484	125,131

Lease liabilities

Contractual maturities analysis as follows:	31.12.2023	31.12.2022
In 2024 / 2023	26,447	29,598
In 2025 / 2024	23,154	22,841
In 2026 / 2025	18,708	19,803
In 2027 / 2026	15,184	16,201
Later	76,132	78,994
Total	159,625	167,436
Less: Present value discount	(25,228)	(26,290)
Lease liability	134,397	141,146

Lease liabilities are presented in the Consolidated Balance Sheet as follows:

Non-Current	112,605	116,376
Current	21,793	24,770
Total	134,397	141,146

Lease related expenses recognised in the Consolidated Income Statement:

	2023	2022
Depreciation expense from right of use assets	22,500	21,177
Interest expense on lease liabilities	4,791	4,343
Exchange difference on lease liabilities	(1,173)	(2,974)
Short-term and low value lease expenses not included in lease liabilities	717	901
Termination of right of use asset	586	3,582
Total	27,421	27,029
Total cash outflow for leases	30,214	25,607

Notes to the Consolidated Financial Statements

At end of December 2022, one of the Company's main location was moved to a new facility without finalizing a buyout agreement. As a result, the right of use asset for the related lease was terminated to the amount of USD 3.6 million. The buyout agreement was signed in January 2023 and the remaining contractual payments paid, totaling USD 5.0 million. A non-current lease liability at end of the previous year amounting to USD 3.0 million was reclassified to current Lease liabilities.

13. Goodwill

	2023	2022
At 1 January	680,400	644,153
Business combinations	2,241	54,229
Exchange rate differences	8,214	(17,982)
At 31 December	690,855	680,400

During the year, the Company assessed the recoverable amount of goodwill and determined that none of the Company's cash-generating units have suffered an impairment loss.

The carrying amount of goodwill was allocated to the following cash-generating units:

	WACC % 2023/2022	31.12.2023	31.12.2022
Americas	11.1 / 10.4	453,621	452,451
EMEA	10.3 / 9.4	220,984	211,722
APAC	10.6 / 9.7	16,250	16,227
Total		690,855	680,400

The recoverable amount of the cash-generating units is determined based on a value in use calculation which uses cash flow projections based on the financial forecast for 2024 approved by management and the Board of Directors. A post-tax discount rate of 10.3 - 11.1% (2022: 9.4 - 10.4%) per annum was used. The pre-tax discount rate is 10.6 - 11.5% (2022: 9.7 - 10.7%).

Cash flow projections in the forecast are based on sales growth per year in line with the Growth '27 strategy approved by the Board of Directors and gradual margin improvements of 0.4 - 0.5% per year throughout the period in line with historical margin increases. Cash flows beyond 2028 have been extrapolated using a steady growth rate of 2.5% (2022: 2.5%) for all cash-generating units. This growth rate does not exceed the long-term average growth rate for the market in each segment. Market growth is estimated to be 2-6% per year, for different products. Management believes that any reasonable change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Notes to the Consolidated Financial Statements

14. Other intangible assets

2023	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	36,939	25,009	2,803	50,242	114,993
Additions	109	3,548	52	712	4,421
Additions - internally generated	0	0	0	8,624	8,624
Fully amortized assets	(3,278)	(500)	0	(5,388)	(9,166)
Exchange rate differences	484	286	16	56	842
At 31 December 2023	34,254	28,343	2,871	54,246	119,714
Amortization					
At 1 January	27,039	6,857	501	18,593	52,990
Charge for the period	1,740	1,376	86	6,592	9,794
Fully amortized assets	(3,278)	(500)	0	(5,388)	(9,166)
Exchange rate differences	175	47	1	32	255
At 31 December 2023	25,676	7,780	588	19,829	53,873
At 31 December 2023	8,578	20,563	2,283	34,417	65,841

Amortization classified by functional category:	2023	2022
Cost of goods sold	628	143
Sales and marketing expenses	5,724	6,512
Research and development expenses	1,377	1,365
General and administrative expenses	2,065	2,446
Total	9,794	10,466

2022	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	38,278	19,460	1,863	48,839	108,440
Additions	158	2,180	98	748	3,184
Additions - internally generated	0	0	0	6,211	6,211
Business combinations	1,040	4,515	750	11	6,316
Eliminated on disposal	0	0	0	(305)	(305)
Fully amortized assets	(822)	(176)	0	(5,144)	(6,142)
Exchange rate differences	(1,715)	(970)	92	(118)	(2,711)
At 31 December 2022	36,939	25,009	2,803	50,242	114,993
Amortization					
At 1 January	25,319	5,986	300	17,999	49,604
Charge for the period	3,347	1,160	85	5,874	10,466
Eliminated on disposal	0	0	0	(74)	(74)
Fully amortized assets	(822)	(176)	0	(5,144)	(6,142)
Exchange rate differences	(805)	(113)	116	(62)	(864)
At 31 December 2022	27,039	6,857	501	18,593	52,990
At 31 December 2022	9,900	18,152	2,302	31,649	62,003

None of the Company's intangible assets are with restricted title or pledged as security.

Notes to the Consolidated Financial Statements

15. Investment in associates

	2023	2022
At 1 January	13,751	13,647
Additions	3,832	0
Share in net profit	3,398	357
Dividend received	(508)	(174)
Exchange rate differences	59	(79)
At 31 December	20,532	13,751

Included in share in net profit is an excess of the net fair value of identifiable assets and liabilities over the cost of investment acquired during the period amounting to USD 2.1 million.

16. Other financial assets

	31.12.2023	31.12.2022
Financial asset at amortized cost:		
Held to maturity securities	2,905	3,326
Restricted cash	491	393
Financial asset at fair value through Income Statement:		
Call option for shares in associates	1,134	0
	4,530	3,719

17. Inventories

	31.12.2023	31.12.2022
Raw material	43,913	39,179
Work in progress	19,202	17,238
Finished goods	73,112	75,710
	136,226	132,127

Inventories of USD 10.3 million (2022: USD 7.7 million) are expected to be sold or used in production after more than twelve months.

Inventories recognized as an expense during the period amounted to USD 237.6 million (2022: USD 226.4 million). Thereof USD 3.3 million (2022: USD 2.3 million) was recognized as an expense in respect of write-downs of inventory to net realizable value. There was no reversal of prior year write downs in the current year. The reserve for obsolete inventories at year end amounted to USD 5.6 million compared to USD 4.8 million in 2022.

None of the Company's inventories are pledged as security.

Notes to the Consolidated Financial Statements

18. Accounts Receivable

	31.12.2023	31.12.2022
Nominal value	132,920	117,324
Allowance for doubtful accounts	(5,076)	(4,952)
	127,844	112,372

The average credit period on sale of goods are 50 days (2022: 47.5 days). An allowance has been made for doubtful accounts. This allowance has been determined by management with reference to the expected credit loss (ECL). Management considers that the carrying amount of receivables approximates their fair value.

Movement in the allowance for doubtful accounts	2023	2022
At 1 January	(4,952)	(5,273)
Impairment (losses)/gains recognized on receivables	(283)	(145)
Amounts written off as uncollectable	141	368
Exchange rate differences	18	98
At 31 December	(5,076)	(4,952)

	31.12.2023				
	Gross carrying amount at default	Expected credit loss rate	Collective allowance (lifetime ECL)	Individual allowance	Net carrying amount
Accounts receivable					
Not past due	78,641	0.1%	80	307	78,254
Less than six months past due	43,961	1.9%	843	386	42,732
Six to twelve months past due	3,593	33.1%	1,190	165	2,238
More than twelve months past due	6,725	25.1%	1,689	416	4,620
	132,920		3,802	1,274	127,844

	31.12.2022				
	Gross carrying amount at default	Expected credit loss rate	Collective allowance (lifetime ECL)	Individual allowance	Net carrying amount
Accounts receivable					
Not past due	74,282	0.1%	100	144	74,038
Less than six months past due	35,585	1.7%	603	166	34,816
Six to twelve months past due	3,504	31.6%	1,109	55	2,340
More than twelve months past due	3,953	68.5%	2,709	66	1,178
	117,324		4,521	431	112,372

The expected credit loss on accounts receivable is estimated using a provision matrix with reference to past default experience, general economic conditions and an assessment of both the current as well as expected conditions, including time value of money where appropriate. Individual allowances and adjustments to the collective bad debt provision are made based on the individual assessment of customers' situation and probability of incoming payments. Refer to note 40 for further details related to accounting policies.

The Company writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Notes to the Consolidated Financial Statements

19. Other assets

	31.12.2023	31.12.2022
Prepaid expenses	17,660	14,497
VAT refundable	5,524	4,364
Other	16,069	8,856
	39,253	27,717

20. Cash and cash equivalents

Cash and cash equivalents include bank balances, cash on hand and minor cash equivalents.

Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Exchange rate differences on borrowings and amortization of borrowing cost – note 25. Borrowings
- Liabilities acquired in Business Combination – note 32. Business Combinations
- Assets acquired in Business Combination – note 32. Business Combinations
- Deferred payments and earnouts on acquisitions – note 32. Business Combinations
- Additions to right of use assets and lease liabilities - note 12. Leases
- Exchange rate adjustment on lease liabilities - note 12. Leases
- Additions to financial assets and financial liabilities – notes 16. Other financial assets and 29. Other financial liabilities
- Fair value adjustment on financial assets and financial liabilities - notes 16. Other financial assets and 29. Other financial liabilities

21. Issued capital and share premium

Common stock is as follows in thousands of shares:

	Issued shares	Treasury shares	Total
Balance at 1 January 2022	423,000	(740)	422,260
Sold treasury shares		130	130
Purchased treasury shares		(2,101)	(2,101)
Balance at 31 December 2022	423,000	(2,711)	420,289
Cancellation of own shares	(2,000)	2,000	0
Sold treasury shares		10	10
Balance at 31 December 2023	421,000	(701)	420,299

Movement in issued capital is as follows in USD thousands:

	Share capital	Share premium	Total
Balance at 1 January 2022	4,795	70,776	75,571
Sold treasury shares	1	579	580
Purchased treasury shares	(16)	(9,925)	(9,941)
Balance at 31 December 2022	4,781	61,430	66,211
Sold treasury shares	0	49	49
Balance at 31 December 2023	4,781	61,479	66,260

The share buyback program was temporarily paused in 2022. Decisions on share buybacks are made in accordance with the Company's Capital Structure and Capital Allocation Policy, within the authorizations granted by the Annual General Meeting. The share buyback programs are managed by Nordea, which make its trading decisions independently and without influence by the Company regarding the timing of the purchases.

Notes to the Consolidated Financial Statements

22. Other reserves

The following table shows a breakdown of the movement in other reserves in the Consolidated Statement of Changes in Equity.

	Statutory reserve	Share options	Hedging	Financial assets	Currency Translation	Total
Balance at 1 January 2022	1,267	4,093	113	0	(51,390)	(45,917)
Change in cash flow hedges			(1,431)			(1,431)
Income Tax			290			290
Transl. diff. of shares in subsidiaries					(23,968)	(23,968)
Income Tax					(498)	(498)
Total comprehensive income	0	0	(1,141)	0	(24,466)	(25,607)
Share option charge for the period		2,221				2,221
Share option vested during the period		(1,164)				(1,164)
Balance at 31 December 2022	1,267	5,150	(1,028)	0	(75,856)	(70,467)
Change in cash flow hedges			963			963
Income Tax			(193)			(193)
Fair value changes of financial liabilities				93		93
Income Tax				(23)		(23)
Transl. diff. of shares in subsidiaries					4,839	4,839
Income Tax					1,027	1,027
Total comprehensive income	0	0	770	70	5,866	6,706
Put option for minority share in subsidiary				(825)		(825)
Share option charge for the period		1,759				1,759
Share option vested during the period		(1,218)				(1,218)
Balance at 31 December 2023	1,267	5,691	(258)	(755)	(69,990)	(64,045)

Statutory reserve

The statutory reserve comprises certain portion of the share capital according to Icelandic Company Act.

Share option reserve

The share option reserve is used to recognize the fair value of options issued to employees but not exercised, see note 23 for details.

Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, see note 24 for details. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges.

Currency translation reserve

The currency translation reserve comprises all currency differences arising from the translation of the financial statements of subsidiaries having different functional currencies than the Company as well as from the translation of liabilities that hedge net investment.

Notes to the Consolidated Financial Statements

23. Share option contracts

The Company has in place a share option plan, approved by Company's Annual General Meetings, under which managers may be granted options to purchase ordinary shares at an exercise price, determined by the average closing price of shares traded on the OMX Copenhagen stock exchange over the 20 trading days prior to the issue date. The employee must remain continuously employed with the Company until the option expiring date, either as an employee or in any other way, deemed satisfactory by the Company.

Each employee share option converts into one ordinary share on exercise. No amounts are paid or payable by the recipient to the Company on receipt of the option. The options carry neither rights to dividends nor voting rights. The Company allows net settlement of options in which an equivalent number of shares are delivered to the employee that equals to the profit of the exercised options. With net settlement, the Company does not deliver in full the number of shares at exercise price. The fair value of the share options granted are valued using the Black-Scholes pricing model. Variables used in the Black-Scholes calculation are the exercise price per share, expected life in years, estimated volatility, annual rate of quarterly dividends and annual discount rate. In 2023, the expected volatility assumptions used to value the options ranged from 29.8% to 31.0% (2022: 28.1% to 30.4%) and the annual discount rate ranged from 2.4% to 3.0% (2022: -0.5% to 2.4%). Expected life of options are three years and the options expire one year after the vesting date. If a share option vests during a closed period for insider trading the vesting period is automatically extended until the next open window for insider trading.

The following share option contracts are outstanding at balance sheet date:

	Number of shares	Grant year	Exercise year	Exercise price (in DKK)	Share price at grant date (in DKK)	Weighted average remaining contr. life in months
Issued to Executive Management:						
Sveinn Sölvason President and CEO	360,000	2020 - 2023	2023 - 2026	29.9-44.6	29.2-43.6	10
Executive management (3 persons)	256,400	2020	2023	45.5-46.3	45.6-47.5	0
Executive management (6 persons)	686,400	2021	2024	44.5-44.6	43.2-43.6	2
Executive management (6 persons)	500,000	2022	2025	28.5-41.7	29.5-44.0	18
Executive management (4 persons)	250,000	2023	2026	27.9-34.2	27.5-34.6	30
Total	2,052,800					
Issued to Management team:						
Sixteen manager	828,800	2020	2023	40.5-46.3	39.0-47.5	0
Thirty - five managers	1,341,200	2021	2024	44.5-46.8	43.2- 47.7	2
Seventeen managers	595,000	2022	2025	28.5-41.7	29.5-44.0	18
Two managers	55,000	2023	2026	30.9-34.2	30.2-34.6	29
Total	2,820,000					
Total	4,872,800					8

Movements in share options during the period:

	2023		2022	
	Number of shares	Weighted average exercise price (in DKK)	Number of shares	Weighted average exercise price (in DKK)
Outstanding at 1 January	5,789,600	37.6	5,908,400	40.5
Granted during period	375,000	32.3	1,195,000	34.6
Forfeited during period	(217,200)	42.9	(150,800)	46.3
Exercised and expired during period	(1,074,600)	38.6	(1,163,000)	28.5
Total outstanding at 31 December	4,872,800	41.3	5,789,600	37.6

Notes to the Consolidated Financial Statements

The estimated remaining cost due to the share option contracts is USD 1.2 million (2022: USD 2.9 million). An expense of USD 1.8 million (2022: USD 2.2 million) is recognized in the Consolidated Income Statement for the period. The exercise period of the share option contracts ranges from 2024-2027.

The range of the share price of exercised and expired options in the current year is 32.3 DKK to 49.8 DKK (2022: 27.4 DKK to 32.3 DKK)

24. Hedging Reserve

Össur hedges its ISK and EUR exposure, using a twelve month, quarterly layered hedging strategy. This is done with forward currency contracts where Össur sells EUR for ISK. At each balance sheet date Össur has outstanding contracts covering approximately 50% of yearly ISK costs. Due to the layered approach, hedge ratio of closed contracts is approximately 80% of ISK costs. Össur applies hedge accounting (IFRS 9) to the extent possible.

Movements in the hedging reserve during the period:

	2023	2022
At 1 January	(1,028)	113
Change in fair value of hedging instrument recognised in Other Comprehensive Income	713	(2,815)
Reclassified to Income Statement	250	1,384
Deferred tax	(193)	290
At 31 December	(258)	(1,028)

At balance sheet date ten forward contracts were open. The fair value of the contracts results in a liability of USD 0.4 million at year end 2023 (2022: USD 1.3 million asset). The effects of the foreign currency-related hedging instruments on the Company's financial position and performance are as follows:

	31.12.2023	31.12.2022
Carrying amount (current liability)	358	1,321
Notional amount	29,892	29,885
Maturity date	Mar-Dec 24	Mar-Dec 23
Hedge ratio	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since inception of the hedge	713	(2,815)
Weighted average hedged rate for outstanding hedging instruments	151.8	147.9

Notes to the Consolidated Financial Statements

25. Borrowings

	31.12.2023	31.12.2022
Loans in USD	96,318	125,025
Loans in EUR	237,014	214,751
Total	333,335	339,777
Non-Current	311,802	277,709
Current	21,533	62,068
Total	333,335	339,777

Aggregated maturities of borrowings are as follows:

	31.12.2023	31.12.2022
In 2024 / 2023	21,533	62,068
In 2025 / 2024	176	0
In 2026 / 2025	236,769	149,198
In 2027 / 2026	74,857	53,404
Later	0	75,107
	333,335	339,777

The table below shows how cash and non-cash changes affect borrowings within the Company:

	2023	2022
At 1 January	339,777	308,233
Cash flows	(14,777)	35,624
Non-cash changes:		
Acquisition related	(97)	0
Exchange rate differences	8,055	(4,773)
Amortization of borrowing costs	377	693
At 31 December 2023	333,335	339,777

The weighted average interest on outstanding loans at 31.12.2023 was 3.8% (2022: 2.9%). The following table highlights key information of the Company's borrowings:

Lender	Type	Currency	Interest type	Outstanding	Available
Nordea, Danske Bank	Term, Bullet	EUR	Floating	55,516	0
Nordea, Danske Bank	Revolver	EUR	Floating	126,376	0
European Investment Bank	Term, Bullet	USD	Fixed	74,786	0
Nordic Investment Bank	Term, Bullet	EUR	Fixed	55,125	0
Danske Bank	Overdraft	Multicurrency	Floating	21,532	61,342
Total				333,335	61,342

Notes to the Consolidated Financial Statements

26. Deferred tax assets / (liabilities)

	2023	2022
At beginning of period	7,724	(1,983)
Income tax payable for the period	21,146	23,956
Calculated tax for the period	(17,205)	(12,962)
Arising on acquisition of a subsidiary	42	(2,067)
Recognized directly through equity	1,223	760
Exchange rate differences	181	20
At 31 December	13,111	7,724

Deferred tax in the Balance Sheet:		
Deferred tax asset	41,888	37,320
Deferred tax liabilities	(28,777)	(29,596)
	13,111	7,724

Movement in deferred tax balances:

	1.1.2023	Recognized in Income Statement	Recognized directly in equity	Other ⁽ⁱ⁾	31.12.2023	Deferred tax assets	Deferred tax liabilities
Goodwill	(13,352)	(1,747)		(10)	(15,110)	5,747	(20,857)
Intangible assets	(8,667)	(84)		(148)	(8,899)	1,431	(10,330)
Property, plant and equipment	(1,574)	(491)		118	(1,946)	1,703	(3,649)
Tax loss carry forward	2,125	(772)		(88)	1,265	1,265	0
Inventories	10,135	5,812		25	15,972	16,785	(813)
Provisions	6,993	(2,340)		1	4,654	4,654	0
Current liabilities	7,638	4,171		33	11,842	12,864	(1,022)
Receivables	1,070	97		(1)	1,167	1,185	(18)
Other	3,356	(705)	1,223	290	4,166	4,384	(218)
Total	7,724	3,941	1,223	220	13,111	50,018	(36,907)
Deferred tax assets and liabilities offsetting						(8,130)	8,130
Net deferred tax assets (liabilities)						41,888	(28,777)

	1.1.2022	Recognized in Income Statement	Recognized directly in equity	Other ⁽ⁱ⁾	31.12.2022	Deferred tax assets	Deferred tax liabilities
Goodwill	(11,296)	(2,111)		55	(13,352)	5,747	(19,099)
Intangible assets	(7,543)	460		(1,584)	(8,667)	1,301	(9,968)
Property, plant and equipment	(1,877)	375		(72)	(1,574)	897	(2,471)
Tax loss carry forward	2,066	265		(206)	2,125	2,125	0
Inventories	4,349	5,960		(174)	10,135	10,960	(825)
Provisions	2,883	4,156		(46)	6,993	6,993	0
Current liabilities	5,139	2,483		16	7,638	8,086	(448)
Receivables	758	341		(29)	1,070	1,222	(152)
Other	3,538	(935)	760	(7)	3,356	4,638	(1,282)
Total	(1,983)	10,994	760	(2,047)	7,724	41,969	(34,245)
Deferred tax assets and liabilities offsetting						(4,649)	4,649
Net deferred tax assets (liabilities)						37,320	(29,596)

(i) Effects of foreign currency exchange rate differences and acquisitions.

The Company has unused tax losses available for which no deferred tax asset is recognized. At year end 2023 these unused tax losses amounted to USD 25.2 million (2022: USD 16.8 million). USD 8.5 million of this amount will expire in 5-10 years (2022: USD 7.7 million). The remaining tax losses carry an indefinite term.

Notes to the Consolidated Financial Statements

In relation to the elimination of intercompany gain in inventories, the Company has recognized a deferred tax benefit of USD 5.4 million (2022: USD 5.9 million) in the Consolidated Income Statement.

Össur, as part of WDI group for Pillar Two reporting, has applied the exception to recognize deferred tax on OECD's/EU's Pillar Two Model Rules and local implementation hereof.

27. Provisions

	Warranty provisions	Restructuring provisions	Other provisions	Total
2023				
At 1 January	9,922	9,201	6,011	25,134
Additional provision recognized	7,567	181	1,083	8,831
Utilization of provision	(6,785)	(6,605)	(2,806)	(16,196)
Exchange rate differences	84	0	133	218
At 31 December 2023	10,789	2,777	4,422	17,988
Non-current	4,938	0	1,728	6,666
Current	5,851	2,777	2,694	11,322
At 31 December 2023	10,789	2,777	4,422	17,988
2022				
At 1 January	7,386	108	6,105	13,599
Additional provision recognized	7,835	15,974	2,347	26,156
Utilization of provision	(5,133)	(6,878)	(2,264)	(14,275)
Exchange rate differences	(166)	(4)	(177)	(347)
At 31 December 2022	9,922	9,201	6,011	25,133
Non-current	4,497	0	1,311	5,808
Current	5,425	9,201	4,699	19,325
At 31 December 2022	9,922	9,201	6,011	25,133

Warranty provisions are expected to be utilized over the next 6 years. Restructuring provisions are expected to be fully utilized over the next 12 months.

28. Deferred income

	2023	2022
At 1 January	9,359	9,621
Deferred income	3,719	3,472
Released from deferred income	(3,183)	(3,233)
Exchange rate differences	224	(501)
At 31 December	10,119	9,359
Non-current	7,277	6,042
Current	2,842	3,317
At 31 December	10,119	9,359

Deferred income relates to the sale of additional warranty for prosthetic products and service checks included in standard warranty. Income from additional warranty is deferred when sold and released on a straight line basis within the warranty period. Income from service checks is deferred when sold and released when the service has been rendered. Additional warranties range from 2-6 years. The current deferred income is presented as part of other liabilities in the Consolidated Balance Sheet as indicated in note 31.

Notes to the Consolidated Financial Statements

29. Other financial liabilities

	31.12.2023	31.12.2022
Financial liabilities at amortized cost:		
Deferred payments relating to business combinations	15,327	23,791
Other financial liabilities at amortized cost	550	381
Financial liabilities at fair value through Income Statement:		
Earnouts relating to business combinations	8,833	9,520
Put option for shares in associates	1,134	0
Financial liabilities at fair value through Other Comprehensive Income:		
Put option for minority share in subsidiary	732	825
Hedging derivatives - foreign currency forwards	358	1,321
	26,933	35,838
Non-current	17,351	17,314
Current	9,583	18,524
	26,933	35,838

During the year USD 0.3 million were recognized as fair value gain in Income statement related to earnout and USD 0.1 million were recognized in Other comprehensive income related to fair value gain of put option for minority share in subsidiary.

Put options for purchase of remaining share in an associate is calculated as a multiple of EBITDA of the associate in the previous financial year in the proportion which the put option shares bear to the total shares of the entity. The option is exercisable in 2027 and 2028.

Put options for purchase of remaining minority share in a subsidiary is calculated as a multiple of net sales of the subsidiary in the previous financial year in the proportion which the put option shares bear to the total shares of the entity. The option is exercisable until end of 2026.

30. Related party transactions

Balances and transactions within the Company (Össur hf. and its subsidiaries) have been eliminated in consolidation and are not disclosed in this note.

The Company engages in transactions with some of its associated companies and other related parties. The transactions consist of, among others, sale of Össur products where commercial terms and market prices apply.

Transactions and balances with related parties:

Associates	2023	2022
Sales of products	2,404	2,104
Purchases	524	525
Receivables from associates at 31 December	507	345
Payables to associates at 31 December	374	114
Other related parties	2023	2022
Sales of products	1,338	1,187
Purchases	5,875	5,821
Receivables from other related at 31 December	607	423
Payables to other related at 31 December	487	932

For disclosures relating to key management positions, refer to note 6.

Notes to the Consolidated Financial Statements

31. Other liabilities

	31.12.2023	31.12.2022
Accrued expenses	23,996	17,220
Sales tax and VAT	4,798	4,121
Deferred income	2,842	3,317
Sales return accrual	2,828	1,849
Other	4,548	4,144
	39,012	30,651

32. Business combinations

Össur made acquisitions during 2023 to strengthen the Company's Patient Care business segment. In the Consolidated Income Statement for the year 2023, sales amounting to USD 1.2 million (2022: USD 11.1 million) and net profit of USD 0.2 million (2022: USD 0.3 million) were related to these acquisitions.

The current year acquisitions were made in January resulting in the consolidated pro-forma revenue and profit to be the same but if prior year acquisitions had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 would have been USD 18.3 million and USD 0.6 million respectively.

Assets acquired and liabilities consumed at the date of acquisition:	2023	2022
Property, plant and equipment	111	1,977
Other intangible assets	0	6,316
Other non-current assets	69	52
Inventories	75	2,832
Accounts and other receivables	48	2,189
Bank balances and cash equivalents	123	2,368
Borrowings	(97)	0
Other liabilities	(87)	(6,308)
Net identifiable assets acquired	241	9,426
Non controlling interest	327	0
Goodwill	2,241	54,229
Net assets acquired	2,809	63,655
Consideration:		
Net assets acquired	2,809	63,655
Contingent consideration and deferred payments on current year's acquisitions	(215)	(23,450)
Cash paid	2,594	40,205
Payments on prior year's acquisitions	9,432	3,947
Cash from acquired companies	(123)	(2,368)
Consideration shown in Cash Flow	11,903	41,784

Notes to the Consolidated Financial Statements

33. Subsequent event

On 16 January Össur acquired all shares of privately owned Fior & Gentz, a leading maker of lower limb neuro orthotic components. Fior & Gentz was founded in Lüneburg, Germany in 1997 and is a leading European provider of functional lower limb neuro orthotic solutions and employs around 80 people.

In 2023, Fior & Gentz reached total sales of approx. USD 23 million, up 16% from the year before, and preliminary EBITDA margin is 30%.

The purchase price (enterprise value) for Fior & Gentz amounted to USD 109 million plus a contingent additional purchase price (earnout) of maximum USD 22 million, depending on sales performance in the years 2024-2026. Össur paid 66 million in cash, financed partly through additional credit facilities, and issues new shares worth USD 28 million to the sellers of Fior & Gentz. The remaining USD 17 million will be paid in cash two years after closing.

In connection with the acquisition, the Board of Directors of Össur has resolved to utilize the authorization in Article 5, paragraph 1, of the Articles of Association to issue 6,636,122 new shares in Össur, raising the total share capital in nominal value by 1.6% from ISK 421,000,000 to ISK 427,636,122. The price of each new share is DKK 28.10 and the total value of the share capital increase is thus DKK 186 million (USD 28 million). The sellers of Fior & Gentz subscribe for all the new shares. The sellers have also agreed to a one-year lock-up period from closing for all the new shares, and to a lock-up period of an additional year for 50% of the new shares, during which they are not entitled to sell their shares in Össur.

The transaction is estimated to be accretive to Össur's organic sales growth and EBITDA margin before special items and is expected to have minimal impact on EPS in 2024 and to be EPS accretive from 2025. Össur will expense special items of around one million as part of the transaction in Q1 2024 and net interest-bearing debt to EBITDA before special items will, all else equal, be temporarily slightly above the target range of 2.0-3.0x.

As a consequence of submission and approval of the annual report for 2023 is close to the acquisition date, the preparation of the purchase price allocation in accordance with IFRS 3 is in progress, but not finalized. Therefore, assets acquired and liabilities consumed at the date of acquisition, consideration and profit and loss effects have not been disclosed within these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

34. Financial instruments

Financial assets and liabilities

The Company holds the following financial instruments:

Financial assets	Notes	31.12.2023	31.12.2022
Financial assets at amortised cost:			
Accounts receivable	18	127,844	112,372
Cash and cash equivalents	20	72,653	76,631
Financial assets at amortised cost	16	3,396	3,719
Financial assets at fair value through Income Statement	16	1,134	0
Total		205,027	192,722

Financial liabilities	Notes	31.12.2023	31.12.2022
Financial liabilities at amortised cost:			
Accounts payables		30,749	28,653
Borrowings	25	333,335	339,777
Lease liabilities	12	134,397	141,146
Other financial liabilities at amortized cost	29	15,877	24,172
Financial liabilities at fair value through Income Statement	29	9,966	9,520
Financial liabilities at fair value through Other Comprehensive Income	29	732	825
Hedging derivatives - foreign currency forwards	29	358	1,321
Total		525,415	545,413

Fair value of financial instruments

In the above overview of financial instruments, financial assets and financial liabilities that are measured at fair value in the financial statement can be identified.

Except as detailed in the following table, management considers that the carrying amount of financial assets and financial liabilities recognized in the Consolidated Financial Statements to approximate their fair value.

	31.12.2023		31.12.2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
Borrowings	333,335	334,373	339,777	340,946

The difference between the fair value and the carrying amount relates to distribution of borrowing cost. The fair value is determined as a level 2 in the fair value hierarchy.

Fair value hierarchy

The following table explains the judgements and estimates made in determining the fair values of the financial instruments recognised and measured at fair value in the financial statements. In order to convey the reliability of the inputs used in determining the fair value, the Company has classified its financial instruments into the three levels prescribed under IFRS accounting standards as adopted by the European Union.

Notes to the Consolidated Financial Statements

Financial assets	Notes	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement:					
Call option for shares in associates	16			1,134	1,134
Total financial assets		0	0	1,134	1,134
Financial liabilities					
Financial liabilities at fair value through income statement:					
Earnouts related to acquisition	29			8,833	8,833
Put option for shares in associates	29			1,134	1,134
Financial liabilities at fair value through other comprehensive income:					
Put option for minority share in subsidiary	29			732	732
Hedging derivatives - foreign currency forwards	29		358		358
Total financial liabilities		0	358	10,698	11,056

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price.

Level 2: The fair value of financial instruments that are not traded in active markets is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Capital risk management

The Company manages capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged since 2022.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 25, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Net debt to EBITDA before special items ratio

The Company's management continuously reviews the capital structure. As a part of this review the management considers, amongst other the cost of capital and net debt to EBITDA before special items.

The net debt to EBITDA before special items at period end was as follows:

	31.12.2023	31.12.2022
Net debt	395,047	404,290
EBITDA before special items	139,307	128,189
Net debt/EBITDA before special items	2.8	3.2

Financial risk management objectives

The Company's corporate finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company. This is performed through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include liquidity risk, interest rate risk, foreign currency exchange risk and counterparty credit risk.

Notes to the Consolidated Financial Statements

The general policy is to apply natural hedging to the extent possible but Össur also uses active hedging of currency exposure that is not covered by the natural hedge in sales and costs by currency. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Currency risk management

The Company operates in a global market, hence exposure to exchange rate fluctuations arises. Exchange rate exposures are managed within approved policy parameters. The general policy is to apply natural exchange rate hedging to the extent possible.

Össur hedges its ISK and EUR exposure, using a twelve month, quarterly layered hedging strategy. This is done with forward currency contracts where Össur sells EUR for ISK. At each balance sheet date Össur has outstanding contracts covering approximately 50% of yearly ISK costs. Due to the layered approach, hedge ratio of closed contracts is approximately 80% of ISK costs. At balance sheet date ten forward contracts were open. The fair value of the contracts results in a liability of USD 0.4 million at year end 2023 (2022: USD 1.3 million). Össur applies hedge accounting (IFRS 9) to the extent possible.

The carrying amounts of the Company's monetary assets and monetary liabilities denominated in currencies at the reporting date are as follows:

	Liabilities		Assets	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
EUR	290,181	267,301	43,773	39,175
USD	189,889	220,718	97,613	94,616
ISK	53,095	42,293	19,474	10,608
SEK	25,160	24,145	13,370	11,875
GBP	6,980	6,986	6,268	5,505
Other	34,395	31,800	63,782	58,660
	599,700	593,243	244,280	220,439

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuation of Icelandic krona (ISK) and Euro (EUR).

The following table details the Company's sensitivity to a 10% decrease in USD against the relevant foreign currencies with all other variables fixed. The sensitivity analysis includes all foreign currency denominated items and adjusts their translation at the period end for a 10% change in foreign currency rates. The table below indicates the effect on profit or loss and other equity where USD weakens 10% against the relevant currency. For a 10% strengthening of USD against the relevant currency, there would be an equal and opposite impact on the profit or loss and equity.

	EUR ⁽ⁱ⁾		ISK ⁽ⁱⁱ⁾	
	2023	2022	2023	2022
Net profit	4,263	4,400	(5,281)	(4,818)
Equity	(932)	(243)	(595)	(1,177)

(i) 21% (2022: 17%) of the Company's COGS and OPEX is in EUR against 24% (2022: 23%) of its sales causing an increase in profit if the USD decreases against the EUR.

(ii) 10% (2022: 10%) of the Company's COGS and OPEX is in ISK against 0.5% (2022: 0.3%) of its sales causing a decrease in profits if the USD decreases against the ISK.

Hedge accounting is not considered in the above calculation.

Notes to the Consolidated Financial Statements

Interest rate risk management

The Company is exposed to interest rate risks as funds are borrowed at floating interest rates. Interest rate risk is managed by the Company's treasury function and fixed rate loans or interest rate swap contracts may be used to maintain an appropriate mix between fixed and floating rate borrowings. At the end of 2023 61% of total borrowings were on floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite and to ensure optimal hedging strategies are applied. The Company did not have any interest rate swap agreements outstanding at balance sheet date.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates on borrowings with floating terms. The analyses is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. If interest rates had been 1 percent higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2023 would have decreased/increased by USD 2.0 million (2022: USD 1.9 million).

Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At period end the Company had a total liquidity of USD 134.0 million, consisting of undrawn revolving credit facilities of USD 61.3 million (2022: USD 56.4 million) and cash and cash equivalents of USD 72.7 million (2022: USD 76.6 million).

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest	Less than 1 year	1-5 years	5+ years	Total
31.12.2023					
Borrowings	3.8%	34,489	338,818	0	373,306
Lease liabilities	3.7%	26,571	79,513	53,541	159,625
Non-interest bearing liabilities	-	126,570	17,383	0	143,953
		187,629	435,714	53,541	676,885
31.12.2022					
Borrowings	2.2%	69,804	294,964	7	364,775
Lease liabilities	3.6%	29,598	82,627	55,210	167,436
Non-interest bearing liabilities	-	116,513	16,111	0	132,624
		215,916	393,702	55,218	664,835

Notes to the Consolidated Financial Statements

Credit risk management

The Company manages the financial counterparty credit risk centrally. Primary Banks should have a long-term credit rating of at least A-/A3 and a short-term credit rating of at least A-2/P-2. Other financial counterparties should have investment grade credit ratings.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Accounts receivable consist of a large number of customers spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Refer to note 18 for assessment of expected credit loss (ECL) and accounting policy on impairment of financial assets.

The Company is exposed to normal business risk in collecting accounts receivable. Adequate allowance is made for bad debt in line with the Company accounting policy.

Book value of financial assets measured at amortized cost represents the maximum exposure to credit risk.

35. Other information

From 2021, the Company is required to file the primary statements of the Consolidated Financial Statements in the new European Single Electronic Format (ESEF) and therefore those statements are prepared in the XHTML format that can be displayed in a standard browser. The primary statements in the Consolidated Financial Statements are tagged using inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a primary statements line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions which are subtotals. The Consolidated Financial Statements submitted to the Icelandic Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a file named "ossur-2023-12-31.zip".

36. Insurance

	31.12.2023		31.12.2022	
	Insurance value	Book value	Insurance value	Book value
Fixed assets and inventories	213,956	206,255	195,247	191,075

The book value of fixed assets and inventories is adjusted for inventory reserve. The Company has purchased a Property Damage & Business Interruption insurance intended to compensate for damages on owned property and temporary loss of income due to such loss. Additionally the Company has numerous insurance in place that are necessary to insure against the risks to its operations, including but not limited to general and product liability, professional liability, product recall insurance, directors and officers liability and certain types of frauds towards the Company.

Notes to the Consolidated Financial Statements

37. Comparative information

Comparative figures disclosed in the notes to these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of compliance with International Financial Reporting Standards as adopted by the European Union (EU).

38. Contingent liabilities

The Company is engaged in certain litigation proceedings and various ongoing audits and investigations. Management, on an ongoing basis, assesses the possible financial impact of current and pending litigations. Relevant information is disclosed when management is able to assess whether a litigation could potentially have a material financial impact on the Company. In the opinion of management there are currently no litigations expected to have a material effect on the Company's financial position, operating profit or cash flow.

39. Adoption of new and revised standards

New and amended IFRS that are effective for the current year

The following amendments to IFRS became mandatorily effective in the current year. The application of the below amendments has minor effects on the Consolidated Financial Statements:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.

Amendments to IAS 8: Definition of Accounting Estimates.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

OECD Pillar Two Rules.

New and revised IFRS in issue but not yet effective

At the date of authorization of these Consolidated Financial Statements, the Company has not applied new and revised IFRS that have been issued but are not yet effective.

Management of the Company does not expect that the adoption of the standards will have a material impact on the Financial Statements of the Company in future periods.

Notes to the Consolidated Financial Statements

40. Summary of material accounting policies

Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with IFRS accounting standards as adopted by the European Union and additional requirements in the Icelandic Annual Accounts Act no. 3/2006.

Basis of preparation

The Consolidated Financial Statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company considers the characteristics of the asset or liability as market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 and measurements that have some similarities to fair value but are not fair value, such as net realizable value of inventories in IAS 2 or value of assets in use in IAS 36.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- can use its power to affect its returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

The Company treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Company. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized directly in equity attributable to owners of the Company.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the purchase price of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities, contingent liabilities, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss. Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Notes to the Consolidated Financial Statements

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The profit and losses, assets and liabilities of associates are incorporated in the Consolidated Financial Statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the balance sheet and adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment. Where the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Goodwill

Goodwill is initially recognized as an asset at the excess of the purchase price of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities, contingent liabilities, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree.

Goodwill is not amortized but is reviewed for impairment at least annually. For impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the Consolidated Income Statement. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Consolidated Financial Statements

The Company's policy for goodwill arising on the acquisition of an associate is described in the accounting policy for Investments in associates above.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods and services

The Company sells bracing & support products and prosthetics products and related services both as wholesaler and directly to customers through its own distribution channels.

Revenue is recognized for the sale of products including standard warranty when control of the goods has transferred. Control is considered transferred when the goods have been shipped or directly delivered to retail customer. Following shipment, it is considered that our customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when selling the goods, and bear the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Company when the goods are shipped to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Sales related standard warranties serve as an assurance that the products sold comply with agreed-upon specifications, those warranties are accounted for in accordance with IAS 37 Provisions.

For some Prosthetics product, a service check is included in the standard warranty and is treated as a distinct service and is accounted for as a separate performance obligation. The customer has an option to purchase an additional warranty which is treated as a distinct service as the Company promises to provide the service to the customer in addition to the product and the standard warranty. That warranty is accounted for as a separate performance obligation.

Revenues from the sale of additional warranties are deferred when sold and released on a straight-line basis within the warranty period. Revenues from service checks included in the standard warranty are deferred when sold and released when the service has been rendered or the service obligation has ended. Deferred revenues are shown separately within liabilities in the Balance sheet.

Under the Company's standard contract terms, customers have a right of return within 30-90 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for those products expected to be returned.

The Company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly unlikely that a significant reversal in the cumulative revenue recognized will occur given the consistent level of returns over previous years.

Interest revenue and dividend

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Leases

The Company leases office buildings, manufacturing and warehouse facilities and vehicles. Rental contracts are typically made for fixed periods but may have extension options, exercisable by the Company. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Notes to the Consolidated Financial Statements

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease, e.g. term, country and currency.

The lease payments included in the measurement of the lease liability comprise fixed payments less any incentives, variable lease payments that depend on an index or rate, expected residual guarantees and the exercise price of purchase options if the Company expects to exercise the option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability if the lease term has changed, when lease payments changes in an index or rate or when a lease contract is modified, and the modification is not accounted for as a separate lease.

Right of use asset is initially measured at the amount equal to the initial measurement of lease liability. Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that depend on usage are not included in the measurement of the lease liability and the right of use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

Foreign currencies

For consolidation purposes, the assets and liabilities of the Company's foreign operations are expressed in USD, which is also the Company's functional currency, using exchange rates prevailing at the balance sheet date.

Income and expense items are translated at the average exchange rates for each month. Exchange differences arising, if any, are classified as equity and transferred to the Company's currency translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising, if any, are recognized in equity.

Exchange differences are recognized in the Consolidated Income Statement in the period they occur, except for exchange differences on monetary items receivable from or payable to a foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Notes to the Consolidated Financial Statements

Transactions in currencies other than local currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Other assets, such as inventories and operating fixed assets, purchased in foreign currencies are to be valued at cost at the exchange rate prevailing on the date of the transaction.

Share capital

The share capital of Össur at balance sheet date is ISK 421,000,000 nominal value, divided into the same number of shares. There is only one class of shares, and all shares carry one vote, besides treasury shares that do not carry voting rights.

Share premium

The share premium reserve is comprised of payments in excess of nominal value of ISK 1 per share that shareholders have paid for shares sold by the Company.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 23.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

In the preparation of the Consolidated Financial Statements, accumulated gains in inventories from intercompany transactions are eliminated. This influences the income tax expenses of the consolidated companies, and an adjustment is included in the deferred tax asset. Income tax expense is calculated in accordance with tax rates in the countries where the inventories are purchased.

Össur, as a part of WDI group for Pillar Two reporting, has applied the temporary exception, introduced in May 2023, from the accounting requirements for deferred taxes in IAS 12, so that the group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in Other Comprehensive Income or directly in equity, in which case, the current and deferred tax are also recognized in Other Comprehensive Income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are recognized as an asset when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured in a reliable manner.

Property, plant and equipment which qualify for recognition as an asset are initially measured at cost. The cost of a property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

The depreciable amount of the asset is allocated on a straight-line basis over its useful life. The depreciation charge for each period is recognized as an expense. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Buildings & sites	25-50 years
Machinery and equipment	3-10 years
Fixtures and office equipment	5-8 years
Computer equipment	2-5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at the date of the sale transaction and is recognized in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful life are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is allocated on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each balance sheet date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

The following useful lives are used in the calculation of amortization:

Customer and distribution relationships	4-10 years
Patents	5-50 years
Trademarks	3-indefinite
Software & other	2-10 years

Internally generated intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Company's development is recognized only if all of the following conditions are met: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where internally generated intangible asset cannot be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

After initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

After initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Notes to the Consolidated Financial Statements

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with banks and deposits with financial institutions. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Balance Sheet. Deposits that are subject to regulatory restrictions and are therefore not available for general use by the Company are presented as restricted cash and disclosed in note 16.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the class of inventory, with the majority being valued on a standard cost basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranty provisions

Warranty provisions include expected warranty costs for products sold with standard warranty and are recognized at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Company's obligation.

Notes to the Consolidated Financial Statements

Restructuring provisions

Restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has started to implement it or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Other provisions

Other provisions mainly consists of legal and employee related provisions.

Financial instruments

Financial assets and financial liabilities are recognized in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss (FVTPL).

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that do not meet the criteria for being measured at amortized cost are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Basis of preparation above.

Notes to the Consolidated Financial Statements

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost and account receivables. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk from initial recognition of the respective financial instrument. The company applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for accounts receivables. The expected credit loss on accounts receivable is estimated using a provision matrix by reference to past default experience, general economic conditions and an assessment of both the current as well as expected conditions, including time value of money where appropriate. Individual allowance and adjustments to the collective allowance are made based on the individual assessment of customers' situation and probability of incoming payments. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different geographical segments.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about significant financial difficulty of the borrower. An allowance for credit-impaired financial assets is measured on an individual basis.

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Notes to the Consolidated Financial Statements

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss. When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

A liability is recognized in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to currency risk. Further details of derivative financial instruments are disclosed in note 34.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of cash flow of recognized liabilities or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either cash flow hedges or hedges of net investment in foreign operations.

Notes to the Consolidated Financial Statements

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedge risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

The hedging reserve within equity represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Hedges of net investments in foreign operations

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity in the foreign currency translation reserve.

Gains and losses deferred in the foreign currency translation reserve are recognized in profit or loss on disposal of the foreign operation.

Cash flow hedges

The effective portion of changes in the fair value of derivatives, that are designated and qualify as cash flow hedges, is recognized in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in Other Comprehensive Income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the Income Statement as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in Other Comprehensive Income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires, is sold, terminated, exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in Other Comprehensive Income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the set conditions and that the grants will be received. Government grants are recognized in profit or loss in the periods in which the Company recognizes the related expenses for which the grants are intended to compensate.

Significant accounting judgments, estimates and assumptions

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Revision of accounting estimates can also affect future periods.

Management has made significant accounting estimates and judgements in respect of the following areas:

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details of impairment calculations are set out in note 13.

Acquisitions as part of business combinations results in recognition of goodwill and various assets and liabilities. The amounts allocated to the acquired assets and liabilities are based on assumptions and estimates about their fair values. Details of fair value of assets and liabilities in business combination are set out in note 32.

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of assets or liabilities, the Company uses market-observable data to the extent it is available. Where such inputs are not available, the Company uses valuation models based on observable prices where applicable else non-observable prices. Details of fair value of financial assets and liabilities are set out in note 34.

Notes to the Consolidated Financial Statements

41. Definitions of key ratios and terms

EBIT

Earnings before interest and taxes

EBITDA

Earnings before interest, taxes, depreciation and amortization. Financial items and share in net profit or loss of associated companies are not included in the EBITDA measurement

EBITDA before special items

Management monitors the performance measure EBITDA before special items, at a consolidated level and considers the measure relevant to an understanding of the Company's financial performance as it facilitates a better comparison of the Consolidated Income Statement between periods. Special items comprise material amounts of a non-recurring nature, such as costs relating to divestments, closure or restructuring, lawsuits, etc.

Gross profit margin

Gross profit as a percentage of net sales

EBITDA margin

EBITDA as a percentage of revenues

EBIT margin

EBIT as a percentage of revenues

Free cash flow

Cash from operations less capital expenditure

Equity ratio

Equity as a percentage of total assets

Net interest-bearing debt (NIBD) to EBITDA before special items

Aggregated interest bearing debt, consisting of borrowings and lease liabilities, less cash and cash equivalents divided by EBITDA before special items

Return on equity

Net profit as a percentage of average equity

Capex to net sales

The amount of purchased fixed and intangible assets to net sales

Market value of equity

Value of the Company's equity, measured by multiplying the current stock price by the total number of outstanding shares

Sales growth

The change in revenue compared to prior period

Basic Earnings per share (EPS)

Net profit attributable to the parent Company's shareholders, divided by the parent Company's average number of shares outstanding for the period

Diluted Earnings per share (EPS)

Net profit attributable to the parent Company's shareholders, divided by the parent Company's average number of shares outstanding for the period adjusted for effects of outstanding share option contracts.



© ÖSSUR, 01. 2024